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## **Raketech**

Q3 2021



## Prepared Remarks

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Good morning, everyone, and thank you for joining us today. My name is Oscar Mirdbach. I'm the Group's CEO. And during the next 25 minutes or so, I will, together with CFO, Mans Walvon, walk you through some of the highlights of Raittik's Q3 report for 2021. Let's start on Slide 3, please.



As you can see on this slide, the agenda is short, but hopefully to the point. During the first section, I'll run you through selected highlights and key figures, including some info on our latest acquisition as announced yesterday before Mans walks you through the financial details in the second section. As usual, we'll round things off with a quick summary, that's Section 3, before we open up for questions, if there are any. Let's move to the next slide and that would be Slide 4. So here are the financial highlights from the quarter.



And as I just said, Mans will soon walk you through the specifics specific details. But as you can see in the headline summary, we had a generally strong quarter with revenues setting another one time high for the Group. In absolute numbers, we reached €9,600,000 And as you can see in the highlight box On the right hand side of the slide, this corresponds to a 30% year over year growth where most of it was organic 26%. Furthermore, our adjusted EBITDA also took a jump and landed at €4,400,000 This corresponds to a 20% increase year over year, which is strong considering our lower margin network revenues were showing good growth year over year. During the quarter, our Swedish portfolio also showed good growth alongside continued strong performance from Kasumba in Japan, while our network revenues We're lowered slightly quarter on quarter due to the new legal situation in Germany.



Worth mentioning is in this context that we managed push the margin from the network up, which subsequently helped the Group EBITDA margin in a positive direction. When looking at The total revenue numbers, it's important to keep in mind that we have not yet had a full quarter worth of EBITDA and revenue from Recent acquisitions simply because the transactions closed in August for Infinileads and September for Q1 Media, respectively. Q4, on the other hand, will include the full effect from these acquisitions on revenue and EBITDA and worth keeping in mind also some of the revenue and EBITDA related to our latest acquisition targeting the U. S. As we announced yesterday, including assets such as Winners and Winers and pickpapa.com.



The full effect from these acquisitions will, however, be evident in the Q numbers in full and onwards, of course. In the box, in the very far right corner, you can see our earnings per share, which is showing Significant growth year over year as well as quarter over quarter. This is an expected effect of increased revenues with continuously strong margins, and it shows the scalability in our business model that we've been talking so much about previously. Mans will soon elaborate a bit further on this in his part of the presentation. Looking ahead, the regulations in the Netherlands is already from October having a slightly dampening effect on our network revenues as we do not work with unlicensed operators on regulated markets.



This effect is not material for the group as such, but of course, it has some effect on the network business area in the short to midterm. In other news, we're looking forward to a generally busy season as Q4 It's a strong quarter. This in combination with the Swedish COVID restrictions on online gambling being lifted soon. We have already seen an increased Appetite from operators to invest in marketing for Q4. Additionally, we hope for some of the players currently resorting to unlicensed operators outside of the Swedish system to come back into the regulated environment.



Again, Slide 5, please. And now to some operational highlights. Even though our Q3 acquisitions were only added mid or late in the quarter, our non Nordic share of revenues doubled year over year from 20% to 40%. This is, as you know, important to us from a risk mitigation perspective, but maybe more so also from a growth opportunity perspective. Our clients, the operators are normally multinational and therefore looking for partners to help them with marketing on multiple markets, something that I'm very happy to be able to say that we offer.



In the U. S, with the addition of picks and parlays, We now also have end user subscription revenues originating from users subscribing to content produced by the PIXN Partners team. The content is focused on betting picks, betting strategies and other sports insights. And during Q3, This revenue stream made up roughly 1% of the group total. This number is, however, expected to increase when the picks and parlays revenues include full quarter as well as, of course, once our latest acquisition, as announced yesterday, is added to the numbers.



With regards to commercial synergies, an important anticipated synergy was to add traditional affiliation and media revenues to the picture subscription offering, Opix and Parleys. The logic is quite simple. The audience is a perfect match, and our assumption was and it's the same for winners and winners that this would result in high conversion and strong margins, thanks to incremental sales. Even though it's early days, it seems as our assumption was right as our initial trials are showing promising results. With that said, we are looking forward to accelerating this further, not only on pigs and part a's, but of course also on winners and winners.



In other parts of the world, we have in India, in close collaboration with the talented team behind [onlinecricketbetting.net](https://www.onlinecricketbetting.net) launched social media campaigns that have shown promising results. As you can see in one of the boxes on the slide here, the first campaign reached 500,000 views within the first 48 hours, which is significantly more than we have ever seen on any other markets before, which furthermore gives you a flavor of the strength of the online cricket betting brand specifically, but also on the interest of cricket betting in general. We're so far very happy with how the integrations are progressing, but there are still more synergies to materialize, and we will therefore continue to focus on this in the upcoming quarters until we maximize whatever we can. Considering we as late of as yesterday announced an exciting The new U. S.



Acquisition on the same theme as PIX and Parley's integration and synergies will be our number one priority in the short term. And with that said, let's talk a little bit more about the acquisition that I'm referring to. And that's next slide, Slide 6, please. So as I just mentioned, the acquisition is on the same theme as Picks and Parleys. It's a portfolio of U.



S. Sports Picture Assets. The main website is [winnersandwinners.com](https://www.winnersandwinners.com). The team and the assets have been around for many, many years, and It's an appreciated service by many American sports fans. In a nutshell, winners and winners help users with specific insights on matches, teams, leagues and assist these users with data and betting strategies for which the user then pays the subscription fee.



In the database, there are roughly 750,000 users where 150,000 are considered to be active, which basically means that they, in one way or another, on a regular basis, subscribe to information or data. The acquired assets have roughly 6,000,000 unique visitors per year in multiple American states and roughly 15,000 paying subscribers each month. Up until today, subscription revenues has been the only revenue stream, which is exciting considering we believe that we will be able to grow incrementally by adding full power of Reykjavik's commercial offering such as affiliation and media. The fact that we now also gain access to granular insights on each individual user increases our chances of converting the user to Sportsbook casino customers significantly compared to the more traditional affiliation model where one would normally not have access to this of Piper Data. The acquisition totals €11,300,000 plus just over €2,000,000 worth of RaqTech shares with a 36 months lockup.



Just as before and considering that this is a strategic acquisition requiring close cooperation, it's been very important to us to ensure that the Debtors accept shares as part payment as a confirmation of their dedication and belief in the positive development for RaqTech as a group. Over the last 12 months, the acquired assets turned over EUR 5,500,000 with a margin of roughly 35%. And how we anticipate this to affect us on a group level is on the next slide. So let's go there. That will be Slide 7.



On the right hand side, you can see some of the more Non financial effects that we expect for the group, not perhaps only from this acquisition itself, but also perhaps summarizing the situation, taking all parameters into consideration, acquisitions as well as operational milestones that we've passed over the last 2 years. And to summarize, we are with our scalable and efficient operational model, our tech platforms and our well positioned asset portfolio now in a good position to continue or potentially accelerate organic growth over the years to come. Financially speaking, we are expecting already from Q1 and onwards to have a revenue run rate of €50,000,000 delivering somewhere in the line of 40% to 45% margin depending on market and product mix between the quarters. Our Sports share is expected to reach up to 35% and U. S.



Revenues up to 20%. This leaves us with roughly or only 45% Nordic Revenues, which is perfectly in line with our operational goals. With regards to the EPS, we also anticipate a positive development. But as I said before, Mans will talk more about that in one of his slides, which by the way is now. So over to you, Mans.



Next slide, Slide 9.



Thank you, Oskar. And yes, let's start on Slide 9, please. Q3 is at an all time high for revenues and it's the Q3 of the last four quarters with record high revenues for the company. Year on year, we're up 30% of which organic growth was 26%. The growth It's split evenly between network sub affiliation sales and Kasumba as well as positive growth in Sweden, our largest market.



Specifically for Sweden, we are growing with the market, but we've also put more focus on a handful of assets throughout the year, which is paying off. Compared to Q2 of this year, we're up 10% and we continue to see organic growth in Sweden as well as from Kasurba. Furthermore, our recent acquisition of Infinid and Q Media add to our revenues, although they are only partially included in the quarter. Network sales, our sub affiliation offer slowed down, as Oskar mentioned, during the period, mainly due to the changes on the German market. And it represents about 22% of total revenues in the quarter, which is a few percentage points down from Q2.



One of the key benefits of this product is that we can be quite flexible and efficient in entering, but also Exiting markets and the exit performance has continued to perform well in the start of Q4. Next slide, please. This slide illustrates our EBITDA, cash conversion, EBIT and earnings per share for the last few quarters. There are a few points I would like to highlight here. The first one is that our adjusted EBITDA For the quarter, it's up by about 30% from previous quarter and more than 50% from last year.



This quarter, we have adjusted our EBITDA for non recurring costs of EUR 300,000 for consultancy fees And these relate to the completed acquisitions we've done during the quarter, and we highlighted this as well when we presented Q2. The increase in EBITDA is naturally and primarily an effect of our organic growth. We are, however, extra happy about the increase in the EBITDA margin at 46% for Q3. We have highlighted this before that we were expecting this to approve as organic growth started to take off. We have in the last 2 years established a stable and efficient technical and organizational infrastructure, which enables us To scale up in volume and revenues and as a consequence reap the benefits of an improved margin.



The relative change between lower margin product, the subaffiliation sales and higher margin product Has also an additional positive effect. I will cover this a bit more in detail in a few slides. Another point to make note of is that there historically is a seasonality effect in the last quarter of the year, And we are expecting to see this as well now as we enter the last few months of the year. In the middle diagram, we have our development of last 12 months EBITDA and cash conversion. One quick point to make here Is that we are slightly lower on cash conversion in Q3, which almost exclusively relates to timing effects on trade receivables, And this will catch up in the upcoming quarter.



And we should as we go along be on or just below 100% in cash conversion. Finally, on the far right side of the slide, we have adjusted EBIT and earnings per share, which have grown equally with EBITDA. In absolute numbers, we're up more than €1,000,000,000 which represents close to 70% growth. We've highlighted this before that our EBIT has been impacted by Quite high non cash affecting linear amortizations on our intangible assets. And some of these assets have now been fully depreciated and expect And we expect to be able to see continuous positive growth in EBIT and earnings per share as we move into the next year.



Next slide, please. Compared to Q3 of last year, there is an expected decline in number of MVCs. This decrease It relates primarily to Sweden and it relates to the temporary gambling restrictions that were implemented in July of last year Where one of the restrictions was to impose a deposit limit. As a consequence of this, we saw a temporary boost in indices as players Scrambled to open up several accounts and this resulted in a large number of NDCs, but the aggregated player value was essentially not affected. This effect has naturally taken off gradually from last year and has more or less stabilized during the year.



In addition to this, We have as well from last year actively prioritized operators that we assess generate high value leads ahead of the high converting brands with lower player value. And this also means a lower NDC count, but actual higher average revenue per lead and also improved total revenue growth. Compared to Q2 of this year, we're up 23% And this is through organic growth in primarily Sweden and Kaczorba, but we've also obviously added NDCs through recent acquisitions. Next slide please. This slide illustrates our geographical, vertical and revenue split.



With regards to our geographical split, we are continuing with adding and growing revenues on more and more markets. 2 years ago, we set out to have Significant revenues in 3 continents, which we now have through Europe, Asia and North America. And this will become even more evident As we enter into Q4 when the recent acquisitions come in for the full quarter and we also add the most recent acquisition in the U. S. Announced yesterday.



Our share of sports revenues amounted to 16% for Q3 as we've seen good growth in casino related revenues as well. The relative share Sports is still in the lower interval of what we were aiming for. It's, however, worth pointing out that we're in absolute numbers have seen close To 90% growth in sports related revenue compared to Q3 of last year. We are as well Expecting this to increase as we enter into Q4 through our Indian sports assets, but primarily in the U. S.



With an intensified sports calendar in that market. Lastly, with regards to our revenue split, we are very much in line with previous quarter. And as Aska pointed out, We've added U. S. Subscription revenues to the mix.



Next slide please. This slide illustrates our cash flow bridge Q2 versus Q3 of this year. As I pointed out earlier, our net cash from operations is strong. Investing activities relate to recent acquisition. The cash proportion was €11,500,000 and the rest relates to earn outs CEO.



And finally, borrowings relate to the first utilization of the current credit facility we signed during Q3. Next slide please. This slide illustrates our margin in Q3 of Q3 compared to sorry, Q2 compared to Q3 of this year. I touched upon this earlier, but the increase in EBITDA margin is partially an effect of a slight decline in absolute terms in our sub affiliation sales, which is lower margin, but also its decrease in relative share of total revenues as we've seen growth in high margin products with our current portfolio. Secondly, as we add higher margin products from Infinilige and QM, this positively affects the margin as well.



The recent acquisition in the U. S. Announced yesterday is expected to operate with a margin of around 35%. And as Oscar mentioned in his slide, we are, as we move forward, expecting the margin to fluctuate between 40% 45% And very depending on how these assets developed, especially the U. S.



Focused sports assets, at least are more CME dependent. Thank you. And back to Oskar and Slide 16, please.



All right. Thank you, Mans. Allow me to wrap things up. And let's start with the financials. Q3 revenues totaled €9,600,000 and this is a new all time high.



Growth year over year was 30% and quarter over quarter 10%. Organically, we grew 26% where Sweden, Kasumba and our network were the main contributors. And our adjusted EBITDA came in at €4,400,000 corresponding to a 46% margin. With regards to other milestones and events, I wish to highlight the integration work and the initial synergies that we've found, and I'm excited to continue this work during the quarters to come. Our non Nordic revenue share of total doubled year over year, and we expect the non Nordic share to increase even more going forward as effect of the recent acquisitions.



Our sports share of total also increased. This has an effect of the acquired sports revenues, of course, but also as an effect of the European Championships in Football earlier in the quarter and the absence of sports during the comparison period. This KPI, just like the non Nordic share, are is also expected to increase going forward once the latest acquisition is fully accounted for. Looking ahead into Q4, the 1st month of October amounted to EUR 3,800,000 Looking at Q4, historically, the later part of the quarter is typically stronger. And with the Swedish COVID restrictions on gambling lifted and the sports season in the U.



S. Intensifying, we hope for a continued strong or potentially even stronger finish of the quarter. All in all, I'm happy with Q3. I'm also Happy with the situation Reykjavik is in with regards to strategic positioning. As you can see in the top right corner of the slide, we've managed to tick off basically all strategic operational deliveries that we set ourselves to do 2 years ago.



I'm very much looking forward to seeing what we can deliver in the U. S. Considering the position we now have on this exciting market also. So with those words, let's move over to Q and A. And next slide.



CEO.

## Q&A

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CEO. Okay. There currently seems to be no questions from the phone lines at this time. Yes. We do actually have one question that came in through e mail, And that is, can you please elaborate on the lift around Swedish gambling regulations and how it will affect your business?



And it's, I would say, it's simply 2 main factors that potentially would drive the market in a positive direction. The first one, obviously, be The channelization, we've seen that the regulations imposed by the government 2 years ago has driven Players outside of the regulated environment, and hopefully, this will, to some extent, not happen anymore. But instead, the regulated environment the regulated operators will take a larger share of the total market. And then secondly, because of this fact, the operators that are regulated, which It's the ones that we work with has a bigger appetite to invest into the switch market because it We'll probably be much more well functioning once these restrictions are taken away. So that will those would be the most obvious Reasons why we believe that this will have a positive effect.



Thank you. CEO. No, it seems there's still no further questions from the phones at this time. All right. So with that said then, thank you everyone for joining the presentation today, and we look forward to talking to you again in connection Q4 report in February next year.