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Raketech

Q4 2021



Prepared Remarks



Hello, and welcome to the Rakitek Audiocast for Teleconference Q4 2021. For the first part of this call, all participants will be in a listen only mode and afterwards, there will be a question and answer session. Today, I'm pleased to present CEO, Oscar Muhlbach and CFO, Mohan Sverdorn. Speakers, please begin your meeting.



Thank you, operator, and good morning, and thank you all for joining Raittag's final quarterly presentation for the year of 2021. This presentation has 2 main sections followed by key takeaways and as always, Q and A at the very end. In the first section, we'll guide you through selected highlights from the quarter. And in the second section, We'll deep dive into the financial details. My name is Oskar Milbach.



I'm the Group CEO. And besides me, you will also today hear, as always, Mans Sval Born, and he is our Group CFO. Warm welcome and let's get started. Slide 3, please. On this slide, you can find some of our most important KPIs from Q4.



And as you can see on your right, revenues amounted to €11,800,000 which once again That's a new record for the group. EBITDA, which in this quarter does not include any adjustments, increased by 50% to 5.4 1,000,000, which is strong not only in absolute terms but also with regards to margin, which amounted to 46%. Total revenues grew 40% year over year, while organic growth amounted to 12.5%. Performance from Organic growth drivers such as our network sub affiliation program and our efforts in Japan is still very strong at the same time as we meet, Tougher comparisons year over year. Another important KPI worth pointing out is our EPS, which supported by organic as well as acquired growth, has taken a leap and increased to record levels.



For Q4, our EPS was 0 point 0 \$7 per share, corresponding to an increase of 26% compared to the same period last year. We continue to see strong performance for most markets and most assets. However, growth markets outside of the Nordics are standing out positively, in particular the U. S, much thanks to recent acquisitions. 2022 has got us off to a strong start So far, with January revenues amounting to €4,500,000 from a seasonality perspective, Q1 is typically A bit slower for us, but we are looking forward to being helped by the U.



S. Sports calendar, which on the contrary is strong during the same period. Our largest market, Sweden, was during Q4 stable and has continued as such also into the New Year, same for our Japanese assets as well as our network subaffiliation sales, despite the Dutch market still being limited at this point. Before we move on to the next slide, I want The highlight that I'm a little bit extra happy about the strong margin during Q4, this considering that our network sub affiliation revenues As well as our U. S.



Subscription revenues are by nature lower in margin compared to our more traditional affiliation revenues. With this in mind, the strong margin is a proof of the scalability and efficiency of our business model, and it allows us to be opportunistic To make short- and long term investments into important projects, markets and assets, which I will be elaborating on a little more about in just a few slides. But before that, let's have a look at some operational highlights and that's on the next slide, which Should be Slide 4. As you all know, there are some strategic KPIs that are a little bit extra important to us. I'm talking about sports share as sports share in total, U.



S. Revenues and growth And of course, also our global footprint. With that said, I'm happy to conclude that we during Q4, much thanks to our recent acquisitions, Took a few but important and significant steps in the right direction. Sports revenues grew by 150% in absolute terms and now represents 22% of the group's total. And thanks to sports heavy U.



S, we expect this KPI to increase even more going forward. Even though we're very happy with our Nordic presence, specifically Sweden, where we have somewhat of a market leading position, we do have global ambitions. And for that reason, I'm glad to see that the non Nordic region grew by 155% in absolute terms. During Q4, non Nordic revenues amounted to 46% of group total despite our latest acquisition only being accounted for as late as mid December of 2021. And as previously mentioned, we have also added end user subscriptions As a revenue stream in the U.



S, which during Q4 represented 6% of group total, for the beginning of 2022, we expect U. S. User subscriptions to increase significantly and by doing so also increasing our U. S. Share of total to up to 20%.



As the U. S. Is expected to become our 2nd largest market already during this quarter, Q1 2022 that is, we have decided to establish A local U. S. Business unit, which we already have recruited key functions to within sales and product as well as a managing director to lead this unit.



We believe that a key to success in the U. S. Is to have local knowledge with regards to sales and product. As an example, we have seen that the demand for locally tailored campaigns and commercials state by state is common and that commercial content is much More just in time compared to what we potentially are used to in other parts of the world. In addition, we, of course, also have challenges with time zones that we hope to bridge With this setup, to set up a local organization is, however, of course, a commitment, which in the short term is expected to have somewhat dampening effect on our margin, but long term very important to ensure we maximize the U.



S. Opportunity. On another note, I'm pleased to see that our network sub affiliation program has managed to deliver strong results during Q4 despite the Dutch market being reduced due to the newly imposed local regulations. And finally, on this slide, please note that in addition to the seasonally strong sports calendar in the U. S, Q1 2022 will contain a full quarter of revenues from our latest acquisitions compared to only a few weeks of revenues in Q4 of 2021.



Next slide, Slide 5 please. And with this slide, I want to just quickly make a final recap of our long term strategic operational goals as we set them 2 years ago. And as a little reminder, we set 4 goals in this perspective, and we believe it would take 2 to 3 years to get there. But with the fast development over the last years, We are just in the right position already. Now starting with the yellow box, our product offering is now very well diversified To the consumer, we offer a wide selection of different digital assets spanning from subscription fixture services to sports communities and casino bonus comparisons.



And to our customer or clients, the operators, we have potentially the broadest commercial offering in our industry. On top of the traditional affiliation services, which is the major share of our revenue still, we also offer media agency services, In-depth analytics and performance reports, programmatic display advertisement on our own assets as well as externally based on unique user insights, Social media campaign, CRM, content marketing, sponsorships and much more. Continuing to the pink box, I'm very happy with our geographical positioning, which is better than ever before. We have solidified our position in the Nordics, particularly in Sweden, while also establishing significant presence on fast growing markets in the South of Europe, India, Japan and of course, also the U. S.



And in parallel, we planted seeds on markets in South America and other parts of the world, expected to deliver growth within a few years. With regards to flagship assets, the orange or maybe red box, second from your right, we actually have even more than we aimed for Within a large variety of asset types, regions and verticals spanning from the popular TV sports guide To maybe the world's largest cricket betting site and everything in between. With regards to the blue box In the bottom right corner, not having a single vertical representing more than 60% of group total, we are almost there as well. And here, one must bear in mind that this goal was put in place during a time when we also had a finance vertical, which we since then have divested. The reason I'm showing this slide today is, of course, to tell you about our progress, but primarily to let you know that this is the last time I will follow-up on this In this forum, we've reached where we wanted to reach, and now it's time for new goals.



We will, of course, not change strategy completely, a great commercial offering Being offered on a global level via high quality flagship assets to sports as well as casino players will continue to be our focus even in the future, Even after I stop talking about them in these presentation studies. But going forward, I want to talk more about how we aim to use this Strong position to build and grow Raiktik to an even better and stronger company in the future. And more about that on the next slide, Should be Slide 6. Maybe not a surprise to anyone, but on the top left Side of the grid, you can find maximize U. S.



Potential. For us, this essentially means 3 things. The first one is to make sure we monetize on the U. S. Fixture traffic.



Our U. S. Assets have up to 1,000,000 unique sessions every month and up until now, No traditional affiliation revenues whatsoever. As stated before, we have already started with this, and we are Thrilled to see that incremental revenue already is coming in. We do, however, believe that there's much more for us to do here.



We furthermore believe that the local organization in the U. S. Will help accelerate growth with in itself. We have a series of organic products live in the U. S.



Run by our global organization. We have had mixed success so far, and we have therefore been a bit moderate with the investments. And this is something we aim to ramp up with the help of the local organization as we go forward. And finally, just like with previous acquisitions, we hope that our Central tech and analytics functions will be able to help accelerate growth for the acquired assets, just like we've done with Vid Republic, Infinileads and Kasumba. Looking at the bottom left corner, we are increasing our investments in flagship existing flagship assets.



We believe that there is room for improvements and expansion, and we believe that we have a solid ground to stand on when making these investments. I'm thinking of tech infrastructure, BI staff and central systems as the foundation. With regards to our network sub affiliation revenues, We have noticed that there is an increased demand for this from the more traditional organic affiliates as well as from operators. The world is becoming more and more complex with regards to local regulations, AML and more. And by investing into this infrastructure, we believe that this could add incremental revenues Geographical footprint, we are concentrating our efforts to existing high growth, regtech markets and preferably markets that are regulated such as the U.



S. And Italy or markets soon to be regulated such as Canada and Brazil. As we've grown, so have also our ambitions with regards to what we're looking for. And as size is becoming increasingly more important in our industry, we do prioritize larger objects before smaller ones. All in all, we now have a great platform to stand on in terms of assets, markets and organization.



And with that great platform Base, we will during 2022 prioritize monetization on mature markets while maximizing growth on growth markets. And with that said, we've decided to increase investments into growth during 2022, specifically targeted our U. S. Expansion. Thanks to our strong EBITDA development during 2021, we have we, however, expect EBITDA margin for the full year of 2022 to stay roughly in line with previous year despite these increased investments.



And with those words, over to Mans and the financial Details for Q4.



Thank you, Oskar, and let's start on Slide 8, please. Q4 is at an all time high for revenues, and it's now the 3rd consecutive quarter with record revenues. Year on year, we're up 40%, of which organic growth was 12.5%. We've seen growth in a number of assets, but the majority of our growth Split evenly between network sub affiliation sales and our prior acquisition, Kasumba. FX in Q4 as well as continued growth from Kasyba.



Our more recent acquisitions of Infinilids and QA Media have shown positive growth Throughout the quarter and specifically Infinilis finished the quarter exceptionally strong with doubled revenues from the date of acquisition earlier this year. As a reminder, these are primarily the Slotsdjawa assets that so far predominantly target South of Europe but are gaining ground in South America as well. Lastly, our network sales had a stable quarter and represents in the quarter just shy of 20% of total revenues, which in relative terms is slightly lower than last quarter, although there has Growth in absolute terms within this segment as well. Next slide, please. This slide illustrates our EBITDA, cash conversion, EBIT and earnings per share for the last few quarters.



There are two points I would like to highlight here. In the middle diagram, we have our development of LTM EBITDA and cash conversion. One quick point to make is that we are slightly lower on cash conversion in Q4, which almost exclusively relates to timing effects, and this should catch up in the upcoming quarter. And we should, as we go along, be on or just below 100% in cash conversion. And secondly, we have seen quite a big jump in our EPS.



This is primarily an effect of increased profitability, But also to some extent, an effect of slightly lower amortization on our intangible assets as some of these assets have now been fully depreciated. For next year, we'll see a minor decrease in a minor increase in amortization from our recently acquired assets, But we will nonetheless see a continued strong positive development for our EPS. Next slide, please. Compared to Q4 of last year, there is an expected decline in number of NDCs. This decrease relates primarily to Sweden and the temporary gambling restrictions that we implemented in July of 2020.



As a consequence of these restrictions, we saw a temporary boost in NDCs as players scrambled to open up several accounts, But the aggregated player value was essentially not affected. In addition from last year, we've actively Have prioritized operators that we assess generate high value leads ahead of high converting brands with low player value. This also means an R and D count but higher average revenue per lead and also improved total revenue growth. Compared to Q3 of this year, we're down 4%. We've seen a similar effect relating to the temporary COVID restrictions as these were lifted in Q4.



The effect was minor. And as I mentioned, the somewhat increased player value had an offsetting positive effect on revenues. Additionally, we saw a minor decrease in NDCs from our network sales as they pulled out of Netherlands, but managed to maintain revenues by shifting their efforts to other regions as well as increasing revenues from rev share. And finally, as I mentioned earlier, our European casino assets through Infinileads Have performed exceptionally well and have added a positive industry count. Next slide, please.



This slide illustrates our geographical, vertical and revenue split. With regards to our geographical and vertical split, Oskar has covered this earlier in the presentation. So I will only point out again that we are well on our way to finding a well balanced split, both from a growth perspective and risk perspective. One small point to make when it comes to our revenue split is that even though rev share is on a similar percentage share, This revenue stream has increased in Q4. This is predominantly an effect of added revenues from recent acquisitions of Infinilids and Q1 Media, which both operate on markets that are slightly more tilted towards Spreadshare.



This can and will, however, shift around somewhat as we go along, as we pointed out earlier, and will vary depending on market and which operators we work with from time to time. Flat fees have also grown in absolute numbers in the quarter. This is an effect of efficient sales efforts from our team and relates Partly to seasonality in the sense that Q4 normally means higher media sales, but also that we managed to increase flat fee sales for our recently acquired assets. And this is a positive effect we normally do see when we make acquisitions and apply our central sales to the assets. Next slide, please.



With regard to our cash flow bridge Q3 versus Q4 this year, Our net cash from operations is strong and has increased with improved profitability. Investing activities relate to our recent acquisition, of which SEK 10,700,000 related to cash paid for the APS acquisition and the remainder is paid earnouts during the quarter. And lastly, borrowings relate to a second utilization of the current credit facility with Aveda Finance, which we signed during Q3 of 2021. Next slide please. This slide illustrates our margin in Q4 compared to Q3 of this year.



From a cost line item perspective, we have seen an increase in other operating expenses, which naturally is an effect of added cost Through our recent acquisitions, but also to some extent increased investments. We've also seen a minor shift from employees to contractors as a consequence of our network setup. Considering, however, that we are unchanged at 46% on EBITA margin compared to Q3, It's positive to see the effects from the benefits of scale we've mentioned earlier. Having said that, in line with what Oskar said earlier, we are expecting the margin Come down a little bit as we enter into 2022. There is naturally a seasonality effect in Q1 that will mean that subscription revenues Through U.



S. Sports as well as network sales that has a lower margin will represent a higher share of total revenues and will thus have a minor Dampening effect for the next quarter. We will as well, as Oskar pointed out, somewhat increase investments, but the effects Will not be dramatic, and we are expecting the margin to come in, in line with the margin for the full year of 2021. Thank you. And back to Oskar and Slide 14, please.



Thank you, Mans. That was the last slide for today. But before we move on to Q and A, let me wrap things up. And as always, let's start with the financials. Q4 revenues totaled €11,800,000 which is yet another all time high.



Growth year over year was 40% and quarter over quarter 23%. Organically, we grew 12.5%, Strong but lower than previous quarter as we are meeting tough comparison numbers. Kasumba and our network were the main contributors. Our EBITDA without any adjustments this time came in at €5,400,000 corresponding to a margin of 46%. With regards to other milestones and events, we closed our so far largest U.



S. Acquisition and we reached 46% of non Nordic revenues for quarter. This corresponds to a non Nordic growth of 155% year over year. Sports also took a jump and landed at 22% on total or 150% up compared to last year. During the quarter, we furthermore reached 6% of total in subscription revenues, something we expect to increase during Q1 as ATS, the latest acquisition, is fully accounted for.



Looking ahead, we saw January giving Q1 a solid start with €4,500,000 in revenue and an EBITDA margin of 41%. Our increased sports share is expected to increase during Q1 And even further, thanks to a business sports calendar in the U. S. As well as a full quarter with revenues from recent acquisitions. Thank you all for calling in today.



Thank you for thank you also to all the new and the old amazing people at RateTake for your contributions during Q4 And during 2021. And with those words, let's move over to Q and A. Next slide, please.

Q&A



Thank Our first Question comes from the line of Marlon Varnik from Nordea Markets. Please go ahead.



Yes. Hi, good morning, Oscar and Molf. Can you hear me?



Loud and clear. Good morning, Marlon.



Perfect. Well, so let's start With the trailing offset here for January, I mean, it's quite strong. But how should we view the rest of the Quarter, given that you are ramping up the U. S. Acquisitions and possibly maybe some negative reopening effect and so on.



Can you give some more Maybe on the rest of the quarter and your expectations here.



Sure. It's we it is, As you said, a very strong start of the year. At the same time, we as we stated also, I think in the presentation, Q1 is typically A little slower when it comes to casino revenues from the rest of the world at the same time as we are looking forward to quite intensive Sports calendar in the U. S. So I think potentially that could compensate for some of the slow movement on other parts of the world.



But it's difficult at this point to guide for the full quarter, but we had a good start.



Okay.



And maybe if you Give some comments on the New York as well and how you view that now given that they launched the mobile 4st stepping here, 9th January. Can you give some comments on New York and your expectations there?



Sure. We the majority of our revenues It's originating from subscriptions still in the U. S. So I would say that New York, of course, has a positive effect on us, but it's not as dramatic That's potentially from 4 others that have more traditional affiliation revenues, while we would have more stabilized revenues as A majority is coming from subscription in the U. S.



At this point.



Perfect. And also a question here on the EBITDA margin. I mean, you guided to be for 2022 in line with 2021. Can you maybe specify a bit further here? I mean, what more exactly in terms of investments will increase here Two figures year over year.



We can quantify or dig into more exactly what terms of investments.





Well, I think



how what do you mean In more exactly quantify this where specifically where they go or both or Well, I mean, for competitive reasons, we won't exclude disclose exactly how we spend the investments. But in general, Like we said in the report, the U. S. Is, of course, super interesting for us, and we envision a lot of growth there in the years to come. So naturally, we need to make sure that we have a good solid footprint in the U.



S, both in terms of products, but also with presence with people. So that's, of course, an area of investments. And then as we also said in the presentation, our flagship assets are now in a position where we believe that We could invest slightly more in them, maybe to expand functionality, but also take new markets With them. And then, of course, the sub affiliation program we mentioned, there are investments going into that where we see that there's an opportunity to expand, also To cater for more organic affiliates to sign up for that program. So those are the main investment programs that we are Focusing on that, I would say that the U.



S. Would be the largest one of those.



Okay. Interesting. And Wallace, just Last question from my side here. I mean,



if you can give some further



comments on Latin America, Brazil and maybe Canada, Obviously, interesting market here in the medium term. How are you working to gain market share in those markets? And what will your strategy be here Going forward and if you compare also your strategy in the U.



S. Compared to Canada and then how you will develop and expect from here?



Yes, that's an interesting one. I think Canada, Brazil specifically, are very interesting markets for us. Brazil, very sports oriented and Canada, potentially slightly more casino oriented even though sports is driving it. We're, of course, Keeping a close eye on both of these markets, and we are investing into building organic presence. But as you know, organic presence takes time to build.



So obviously, those Markets are also interesting from an acquisition point of view to gain market share.



Perfect. Thank you. That was all from it.



And we have one more question from the line of for Rickard Enba from Erik Panza Bank. Please go ahead.



Good morning, guys.



Good morning, Rickard. Good morning.



So my question is regarding the gross margin. Can you please elaborate A bit about that during the quarter and during the last year and how you see it going forward?



Yes, maybe that's for me, I presume. Yes, it's We don't expect any dramatic changes there, to be honest as well. Looking at the gross margin, what will impact primarily, And that can vary a little bit as we go throughout the quarters here. If the network sales, to be honest, that might push it up and down a little bit. And there, we're trying to be opportunistic, to be honest, and try to grow where we can and grow and Take those opportunities as we find and as we go along.



That will obviously as well increase profitability quite a bit. But we don't expect any major adjustments or changes that compared to 2021.



Okay. Thanks.



As there are no further questions, I'll hand it back to the speakers. We have, sorry, a follow-up from Marlon. Please go ahead.



Yes. Hi, again. Marlon here. Just a follow-up here question on the EBITDA margin. I mean, you have a target of 50%, Long term target, you guide 2022 to be in line with 2021.



And that's given that the investment stays now in the U. S. But what can we expect on the EBITDA margin beyond the 2022? And is it reasonable to reach The target level despite being so called heavy investment sales, if you can, any comments here on EBITDA margin beyond 2022 and do you



expect would be appreciated? Thanks. Yes. Thanks, Barlen. That's a very relevant question and maybe something we need to clarify.



We are making heavy investments Specifically, the U. S. And we're expecting to see positive effects on the margin already this year by the end of the year with full effect in 2023. We will, however, keep investing if we see that, that could Increase the organic growth compared to our financial targets. So you would get potentially a larger Organic growth looking at 2023 2024, then but then on the cost On the behalf of the margin in the short to mid term.



So long term financial goals, fulfillment would be then looking at 2024 potentially, But with a potentially larger organic growth up until then at a slightly lower margin.



All right. Clear. Thank you.



And there are no further questions. So I'm handing back to the speakers.



Perfect. Thank you so much for joining us today, and we look forward Talking to you again in connection with the Q1 report. Have a great day.

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This concludes our conference call. Thank you all for attending. You may now disconnect your lines.