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Raketech

Q1 2023



Prepared Remarks



Welcome to the RaikTek Q1 2023 Report Presentation. For the first part of the presentation, participants will be in listen only mode. During the questions and answer session, participants are able to ask questions by dialing star 5 on their telephone keypad. Now I will hand the conference over to the speakers, CEO, Oscar Mylback and CFO, Mans Svalbard. Please go ahead.



Good morning, ladies and gentlemen. Welcome to the call. My name is Oskar Mjollbach, and I am Riksik Group's CEO. And with me is also CFO, Mans Svalborn. We're here to present Rykdal's financial results for the Q1 of 2023.



And once we've done so, we're happy to answer any outstanding questions during the As you can see on this slide, the Q1 of 2023 has us off to a good start with total revenues amounting to €15,800,000 Corresponding to close to 25% growth, which also worth highlighting is all organic. Taking into consideration that Q1 typically is low season for us, we're very pleased with this number. And as a consequence of the strong revenue number, We also managed to deliver solid EBITDA, both in terms of absolute terms as well as margin, EUR 6 EUR 1000000 39 percent respectively. The perhaps somewhat stronger margin than expected relates to benefits scale materializing with increased volumes, but also thanks to a favorable market and product mix. And on this note, it is also worth highlighting that our high margin affiliation marketing in the rest of the world as well as the Nordics stood out positively.



Consequently, our non Nordic share increased to an all time high of close to 64%, while the Nordics at the same time in fact grew with almost 7%. In other news, we saw an expected yet significant uplift in cash So after making the final earn out payments to the Casino Fairberg founders, a positive effect that will increase even further from Q2 Due to it being a full quarter worth of Casino Fjallberg cash flow for us. EPS, the number on your right hand side here on the slide, increased with close to 23% compared to last year to €0.07 per share. Moving on, here is a slide with some more details on our three business areas. On your left, you have our core segment, which is high margin and scalable affiliation marketing.



And as I mentioned on the previous slide, we've had strong are showing growth. During Q1, total growth from this area amounted to close to 32%, all of it being true organic growth. Moving on to sub affiliation, which is the yellow segment in the middle of the slide. I am happy to conclude that this Business area delivered exceptional results during the quarter, and there are a few things worth pointing out in this context. 1st and foremost, We had great success with our network product, which simply put is when we help operators and external affiliates working with paid media To drive new users.



By nature, this product is a bit opportunistic and variations between quarters is expected to be higher than within, for example, Affiliation marketing, the network product originates from an acquisition we did in 2021, which has since long been handed over and is being run by the Raiktec Central team. Post acquisition, revenues have increased with approximately 5 times and post handover with approximately 2 times. On the other side of the scale, our smallest business area betting tips and advice to your far right on this slide had a softer than expected start of the year. Revenue levels are in line with Q3 last year, but it did not manage to beat Q4, which we did expect it to do. Compared to the exceptionally strong Q1 of last year, revenues declined with approximately 31%.



This decline in revenues is predominantly relating to the winshare component, which is when we are bonus by players And before we move on to the financial details, I want to take this opportunity to also quickly revisit our 3 growth drivers and how we're progressing. Starting from the top with flagships, fundamentally, we believe that long term, it is essential to invest in fewer but better brands, which we then call flagships, this in addition to great SEO to ensure their ability to track and engage users by offering high quality content and relevant features and functionality. This strategy does not only apply to traditional affiliation, but also, of course, to betting tips and subscriptions or any other products we might have in the future. Simply put, this means that we are in parallel narrowing down and increasing our investments into fewer but stronger products to ensure Our user offering also is sustainable in the long term. For competitive reasons, I can't give you our detailed long term plan, of course, but To give you a flavor, here are some examples of what we have achieved or worked on during Q1.



For Casino Verb, we are beta testing a completely new platform, which we hope to release later this year. The platform will allow additional features and functions as well as provide a more efficient way of running the product, while also collecting more granular and precise data. In parallel, we're working on taking our free to play slots product, slots Java to the U. S, which is also planned for later this year. In other parts of the world, our efforts and investments into online cricket betting seems to be paying off, as we manage to beat our old revenue records confidently relating to the IPL.



With regards to our second growth driver aiming to add traditional affiliation to our betting tips and advice assets in the U. S, we are making progress. However, it is taking slightly longer than initially expect But with our new American and locally based managing director in place as of Q1, with increased cross Atlantic collaboration and iGaming competence transfer being accelerated, I have big hopes that we will be able to see improved results already by the end of this year. Our 3rd growth driver, the Affiliation Cloud expansion is progressing according to plan. We are continuously onboarding new partners and launching new features and functions.



And during Q1, we launched our veryownaffiliationcloud.com domain, which will be used to market Affiliation Cloud globally. During Q1, we also recruited key personnel and launch key features, which now makes us ready to accelerate sales efforts in line with previously communicated timeline. And over to Mans, financial details.



Good morning. We are pleased See that total revenues in Q1 surpassed those of Q4 and marks a record quarter for RaikTek. Affiliation marketing, our core revenue stream represents 68% of revenues in Q1 and increased from Q4, Even though Q4 is normally the strongest quarter from a seasonality perspective, we saw significant growth from our previous acquisition Kasumba, fueled by general market growth as well as high performance from these assets. Furthermore, our Swedish assets continued to perform well, somewhat impacted by expected seasonality, but growing from last year as performance has been improving. We also had yet another strong quarter for sub affiliation, which amount to 23% of total revenues.



This area continues to perform well. And as we have highlighted before, it enables us to quickly and efficiently enter into new markets and consequently we continue to grow our LatAm revenues in this area. Our smallest revenue stream being betting tips and subscription saw a decline in Q1 ending up at 9% of total revenues. This is, as Oscar highlighted, below our expectations impacted somewhat by unfavorable outcome for betting predictions, Given it represents a smaller portion of our total revenues, it however had a limited impact on the period. As for the regional split and starting with the Nordics, this region is normally by seasonality in the Q1 compared to Q4, and we did see an expected decline from Q4.



We are, however, growing from last year. And as I mentioned, our Swedish assets are contributing positively to this growth. Finland and Norway are generally stable compared to last year with Finland more on a flattish development and Norway so far developing well. The significant growth in Q1 compared to last quarter and year on year comes primarily from rest of world. Kasumba contributes significantly to this growth and these assets have yet again come in above our expectations with top rankings and a generally high investment appetite from operators in this market.



Additionally, the significant growth in LatAm from a sub affiliation offering through network sales also impacts rest of world growth positively during the quarter. Lastly, our online cricket betting site showed positive sign towards the end of the quarter. The vertical split on the right hand side shows casino revenues growing from last year and also Q versus Q and amounts 76% of total revenues in Q1. One point to make here is that sub affiliation revenues, specifically network sales and its contribution to either sport or casino revenues will vary between the quarters As it depends on which markets and publishers grow in each respective quarter. And in Q1 specifically, The share of casino revenues increased in relative terms.



Our MDC See intake have in the last quarters continued to increase and continues to grow in Q1. It is a reflection of our organic growth within affiliation marketing, but Substantial growth from sub affiliation. And as we've mentioned before, MDC is one of the metrics we're looking at when evaluating performance that needs to be assessed in combination with product, market and sales mix as well as overall estimated player values. The variations of MDC will not perfectly correlate with overall revenue development. Q1 came in at an EBITDA of \$6,100,000 just slightly below Q4 with a margin of 38 As I mentioned previously, we did see growth from our high margin area of affiliation marketing, which maintained a high margin in the quarter.



This was just marginally offset by slightly higher operational costs as we're continuing to build up the operations within sub affiliation specifically for Affiliation Cloud, but also some one off consultancy fees. Generally, however, we are relatively stable with regards Our cost base and again worth pointing out is that we have a relatively big share of direct costs that naturally will vary with performance primarily within sub affiliation, however, with a stable overall margin. Lastly, this slide illustrates our cash flow bridge in Q1. Overall, we saw strong operational cash flow with 100 in cash conversion, we settled \$4,300,000 in earn outs in Q1 for partial settlement of Kasimba and ATS as well as With regards to our full year guidance of free cash flow of \$11,000,000 to \$13,000,000 we can reiterate this for the full year and we expect the remaining quarters to improve from here As only relatively minor in our hearts are to be settled for the rest of the year. Looking ahead past This year, we have, as a consequence of the exceptional growth for Kasumba, revised the earn out in the quarter.



As a reminder, this earn out is performance based And it runs up until July 2024. And from a cash flow perspective, part of the earnout will be settled With up to €50,000,000 in 2024 and any remaining part can be settled up until September 2026, Which gives us a lot of flexibility in terms of managing cash as well as do acquisitions and payout dividends in line with the current dividend policy. And that was it for me. And back to you, Oscar.



Thank you, Mans. So with those words, we've come to the end of the presentation. So to recap on what's been said, we've had a strong start to the year with revenue records and EBITDA scaling nicely, this despite a somewhat soft delivery from our betting tips and advice area. Oil growth, 24.4 percent is organic and with rest of the world taking leads, the for us so important. Non Nordic share amounted 63.5%, which I'm very happy to see.



Worth highlighting is that this share would have been even higher if we did not in parallel also experienced strong results from the Nordics with close to 7% growth. Besides the market mix looking healthy, I'm also glad to see a healthy sports versus casino mix with 24% of revenues originating from sports betting. And operationally, we're in good shape, and we continue to invest into our growth drivers From which we have already started to see positive signals, while also doubling down on the U. S. With reinforced management as of Q1.



And with the last earn out settled for Casino Fjoberg, it is great to see cash flow increasing as expected with More to come as from Q2 and onwards. Looking ahead, April revenues amounted to €5,900,000 which is Strong with particularly strong performance from Networks sub affiliation. Compared to April last year, this could We considered as even being exceptionally strong, but important to keep in mind here is that last year's April was a bit soft, making the comparison favorable for us. And typically, the end of Q4 is a slightly slower season. And as there are no major sports events during this time, we consequently anticipate the somewhat softer markets during the last part of Q2.



Operationally, we are confident and judging from how our internal operational KPIs are looking, I wish to reiterate our full year guidance of revenues between €60,000,000 €65,000,000 EBITDA of €20,000,000 to €24,000,000 and free cash flow of 11 to €13,000,000 And with those words, let's move over to Q and A.

Q&A



Question comes from Rickard Engberg from Eric Pennsbank. Please go ahead.



Good morning, guys. Good morning.



Great numbers and a couple of questions, if I may. So first of all, looking at the gross margin, it increased from Q4 in Q1. And going forward, given the mix With some affiliation, a traditional affiliation, how do you think it will develop during the rest of the year?



Yes, you're correct. We did see a slight increase in Q1 and we actually had a slightly higher margin Primarily within network sales for Q1. It's slightly difficult to predict how that will play out by the rest of the year, but It's going to be in line with what we've seen so far.



Okay, great. And my next question is regarding the earnouts. Can you please specify if they are to be paid out this year and how has they been developed during the quarter?



Yes. So for rest of 2023, it's smaller amount of earn outs being paid out. So There's one related to the older Infinilid acquisition that's due to paid out in 2023, but that's basically it to go along.



The next question comes from Marlon Varnik from Nordea. Please go ahead.



Yes. Thank you. Good morning, Monson, Oscar. A couple of questions from my end here. So firstly, I mean, Can you give some more color on the Affiliation marketing performance here in the quarter?



You talk about rest of the world as a driver, But can you give or dig into a bit more specifically what markets are performing well and why? And yes, any comments there would be appreciated. Thanks.



Yes, sure. Relevant question. We have historically not guided on the Single market specifically, so I don't think it's a good opportunity to do that this time, but there are Revenues from predominantly three areas, which I can talk about. So we have the Indian market, the Japanese market, but of course South America, those 3 are all showing positive signs and good underlying growth.



Yes, fair enough. And how should we view the Indian market here in Q2? I mean, we have the Indian Cricket Premier League started 30th March, I think. Should we expect that the rest of world trend to continue here in Q2? Or how should we view the April trading update of \$5,900,000 And also maybe if you can touch a bit on the U.



S. Outlook for Q2 and Q3, what churn can we expect in the TIPSA business, for example, and so on?



Yes. So should we start with the IPL? Our assets in online cricket betting is not only targeting the Indian market, even though that's, of course, an important market for that website. IPL is a major event Within that sport, so consequently, we see lots of activity on our assets and a high demand for From operators to advertise. I'm not sure if I can guide any more specific than that, but I think Monse said in his part of the presentation that we saw A solid end of Q1 when it comes to that specific asset, and that is very much relating to the IPL.



I'm sorry, can you repeat the second part of the question, please?



Yes, sure. The second part on the U. S. Outlook, how Should we view Q2 and maybe Q3? And what Sharon can expect, for example, for the Tipster business?



Yes. So I don't think you could Use the outcome from the Tipster business from Q1 as an extrapolation for the rest of the quarters. We've pointed out previously that this particular business area is expected to vary a little bit more than the more stable Affiliation Marketing segment, for instance, between the quarter because a predominant part of that business is relating to the wind share component. Our strategy in the U. S.



Where we expect to see the majority of the growth coming mid- to long term is from adding affiliation to the strong assets we have in the U. S, and this is something we are working full speed ahead with dedicated resources in the U. S. That's what I tried to mention in the presentation that we hope to see significant results from this by the end of this year and hopefully continue throughout the years to come.



Yes. Fair enough. But can you give any color on the Tipster business performance here in El Pri related to the drilling up that you gave Of 5.9 mill.



We are not we I can't yes. Wons, do you want to go ahead or?



I think just a general comment is and this was typical from last year as well that we are entering into a slower season definitely from a U. S. Sport perspective just simply because of seasonality. So as a general comment, we can give that, I think. And as you know as well, The NFL season picks up again towards September, but it is a slower season for sure, just from a calendar perspective.



Yes. Got it. And just lastly here, I mean, strong set of numbers here for Q1, also strong start for Q2. How should we understand your 2023 guidance here? Is it reasonable to assume that you are trending above initial expectations and Any comments on the guidance here in the range?



Thank you.



Yes. It's a relevant question. We've chosen at this point not to use the strong start to change the guidance. We're reiterating it And we do we reiterate it with confidence. And then if we if there's a reason for us to update the guidance as we We will, of course, come back and address that to the market.



But at this point, we're settling with being confident about the guidance. All right. Let us just double check here if there are any Are there questions through the chat? No, there are no other questions. So with those words, thank you so much for joining the call today, and we look forward to talking to you again in connection with the Q2 report in August.