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**Raketech**

Q1 2020



## Speakers



**Operator**



**Måns Svalborn**  
CFO | Raketech



**Mathias Lundberg**  
Analyst | SEB



**Christian Hellman**  
Senior Equity Research Analyst | Nordea



**Oskar Mühlbach**  
CEO | Raketech

## Prepared Remarks

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**Operator**

Ladies and gentlemen, welcome to the Raketech Q1 Report 2020. For the first part of this call, all participants will be in listen-only mode, and afterwards there'll be a question-and-answer session. Today, I'm pleased to present CEO Oskar Mühlbach and CFO Måns Svalborn. Speakers, please begin.

**Oskar Mühlbach**

CEO | Raketech

Thank you, Operator. Ladies and gentlemen, good morning and very welcome to this presentation of Raketech's Q1 Report for 2020. My name is Oskar Mühlbach, I'm the CEO of Raketech. With me today, I have our CFO, Måns Svalborn, and together we will walk you through the highlights for this year's first quarter. But before we start, I want to mention that due to travel restrictions relating to the current COVID-19 situation, we're broadcasting this presentation with me sitting in our office in Malmö and Måns in a studio in Stockholm, Sweden. We hope that the internet and IT infrastructure allows us to do so without interruption, but please bear with us if not. With that said, and fingers crossed, let's move on to the next slide and have a quick look at today's agenda. Slide three, please.

**Oskar Mühlbach**

CEO | Raketech

The first part of 2020 has been characterized by the odd combination of being both a very stable and strong period at the same time as it has been volatile. The volatility is relating to factors outside of our control, such as the COVID-19 outbreak and the suggested changes to the regulatory landscape in Sweden in early Q2, and the stability is relating to our performance. Despite a very tough comparison period, we managed to deliver growth, this even taking into consideration that sports revenues have been reduced as a result of the many sports events being canceled as an effect of the COVID-19 outbreak. Our growth was 1.4% year-over-year, to be precise, and 11.9% compared to the previous quarter. Our EBITDA amounted to EUR 2.6 million, which is 24.7% lower than last year, but 33.8% higher than the previous quarter.

**Oskar Mühlbach**

CEO | Raketech

When looking at the revenue numbers, it is important to also consider that even though the comparison period is very tough and sports betting has been reduced, the 2019 comparison does not include our Japanese acquisition that we made in Q3 last year, which is, by the way, performing according to plan or slightly better. Nor does the comparison period contain the Lead Republik, which we acquired in Q1 of this year, alone adding roughly EUR 300,000 worth of extra revenue to the quarter. Taking these acquisitions into consideration, our organic growth amounted to minus 10.7% year-over-year. However, with a solid 6.7% growth compared to the previous quarter. I initially mentioned our stable operational performance, and on this topic, I wish to highlight our continuously high NDC intake as a confirmation of this fact.

**Oskar Mühlbach**

CEO | Raketech

The NDC growth put in relation to the revenue growth furthermore indicates something interesting, which is that player values, specifically on the Swedish market where we have our largest presence, seem to have stabilized somewhat. However, on a lower level, just as we expected and also previously communicated. Predictable player values mean stability, which is very good for us, but unfortunately, it seems as there might be more uncertainty around the corner in the form of additional Swedish regulations. In addition to the current unpredictable nature of sports betting during these times, we're glad that our operational performance is stable and that we continue to monitor the external development closely. April revenues amounted to EUR 2.4 million, with the casino vertical still going relatively strong thanks to a shift from offline to online gambling. However, with our sports offering still being lowered by the ongoing COVID-19 situation.

**Oskar Mühlbach**

CEO | Raketech

The EUR 2.4 million include revenues from recently acquired Lead Republik, which is so far progressing according to expectations. Slide six, please. The COVID-19 outbreak has affected everything and everyone, and it will continue to do so for a long time in one way or another. The many individual tragedies being reported from all around the world are painful to take in, and our first and foremost priority has therefore been to ensure the well-being and safety of our staff. We were therefore very early with imposing restrictions and various safety measures at the office, after which we soon moved over to a 100% remote workforce. Our staff has done a tremendous job and shown great spirit, and we have so far not seen any negative impact on our performance.

**Oskar Mühlbach**

CEO | Raketech

On the product side, the many canceled sports events have, however, had a negative impact on our sports-focused products, such as our Danish sports communities where sports bettors meet and discuss, or our popular TV sports guides used by sports consumers to find the next broadcast of games, to mention a few examples. It is therefore, of course, great news to learn that it seems as some sports events might return soon. We do not know exactly to what extent this will return back to normal, but we naturally hope for it to be as much and as quick as possible. The financial impact of the COVID-19 outbreak is furthermore something that most certainly will have large effects on many markets for some time. Exactly how a potential recession could impact our customers is too early to say, but we are, of course, monitoring the situation very closely.

**Oskar Mühlbach**

CEO | Raketech

Furthermore, I wish to highlight the ongoing shift from offline to online, which we believe has been fueled a little extra by the current situation. With that said, we have noticed an extra significant uplift in Norway, which we believe might be relating to this. As Sweden already is one of the, if not the highest digitalized iGaming market in the world, the shift is, as expected, not as evident here as in Norway, but we yet believe we see a shift, and as with all other digital shifts, they tend to stick, which we, of course, hope this one will too. On another topic, I wish to take the opportunity to talk quickly about this quarter's Google Core Update. Google and other search engines update their algorithms continuously, but also release major updates, which are often referred to as core updates every now and then.

**Oskar Mühlbach**

CEO | Raketech

The algorithm is what decides which position a website will have in relationship to others when someone searches for something specific. This is, in other words, absolutely central to what we do. During the first quarter of 2020, there was one Google Core Update, which we therefore followed very closely. The update was, on a general note, positive for us, which to me indicates that the Raketech team is focusing on the right things. And more specifically, I would like to think that this is thanks to our continuous efforts in improving the quality for the users, as well as, of course, ensuring technical solutions are kept to its highest standards. Finally, on this slide, I wish to talk a little bit about the regulatory volatility. On a strategic level, Raketech embraces clear regulations.

**Oskar Mühlbach**

CEO | Raketech

This is also why we've chosen to be part of SPER, the Swedish gambling organization, and why we so far have chosen a very strict view on regulations. Besides the obvious that well-functioning regulations protect players and ensure that all commercial parties compete with the same set of rules, we would also like to believe that Raketech has a competitive advantage with our strong focus on compliance and quality. But just like every other company in any other market, we do not like volatility. It makes it hard to assess how and where to invest, but also how to price our services. Inspired by other countries, the Swedish government recently suggested further restrictions to the already strict Swedish market. The suggestions have been met with heavy negative reactions from the iGaming industry, including the state-owned operators, as well as from the governing bodies, [audio distortion].



**Oskar Mühlbach**  
CEO | Raketech

The main critique being that the proposed legislation would, in contrast to its purpose, decrease the player protection, as many gamblers would abandon the safe environment of the regulated market for the, via internet, easily accessible, unregulated alternative. Something that, of course, besides being bad for problem gamblers, also would impact our customers negatively and thereby also us. We, of course, hope that the government will listen to the feedback that they have received, but with this being mostly a hunt for political points rather than a question of defending the most vulnerable players, I would not be surprised if the legislation would pass. Hopefully, I'm wrong. Next slide, please. Q1 has been a very eventful quarter, with the acquisition of Lead Republik being perhaps the most prominent event.



**Oskar Mühlbach**  
CEO | Raketech

The acquisition adds important product areas to our offering, as well as, now more important than ever, revenues originating from markets outside of the Nordics. I will, later on in this presentation, go through Lead Republik in more detail. Being new in my role, I've dedicated a fair share of my time during the quarter into aligning the organization, and in particular, the senior management team. It therefore brings me extra joy to be able to announce that the team now is complete as we managed to secure a new Chief Operating Officer. His name is Oskar Karlsten, and he has held several senior positions within companies such as Google, Catena Media, and Toca Boca, very well familiar with our industry, in other words.



**Oskar Mühlbach**  
CEO | Raketech

Also worth mentioning is that Jonas Pettersson, who has been with Raketech for several years, has assumed the role as director of BI, security, and automation, areas that all are absolutely key to us and our way forward. On the subject of BI and automation, we have furthermore, during the quarter, developed and implemented top lists powered by self-learning artificial intelligence. So far, it is live on 10 of our sites, and we monitor it closely and make adjustments as we move along. My hopes are that we will be able to implement this on the majority of our sites within a not-too-far-away future, hopefully already this year. Further ahead in today's presentation, I will talk more about how the AI works and what the benefits are.



**Oskar Mühlbach**  
CEO | Raketech

As previously mentioned, it is important for us to speed up our geographical expansion as much as we possibly can, not only to mitigate some of the risks associated with having a too large exposure to a single market, but, of course, also, and maybe even more so because of the business opportunities with continuously high demand for new geographies from our customers. In Denmark, Norway, and India, we have therefore, during the quarter, acquired additional assets that already have small revenues, and the idea here is for us to grow them large with the help of our central operations team. The point I'm trying to make here is not to guide you on any significant revenues any day soon, but I want to let you know that we are working not only with M&A to increase our geographical footprint.



**Oskar Mühlbach**  
CEO | Raketech

I also want to show that our central operations team now is confident and competent enough to be able to handle these types of additional assets. In the USA, we are also making progress, even if the lack of sports events has slowed our progress down significantly. We have used the time on our hands to establish a US entity, as well as secure yet another license, this time in Indiana, meaning we are now licensed in two states, with New Jersey being the second. And within another quarter or so, we expect to be licensed also in Pennsylvania, West Virginia, as well as Colorado. We're monitoring the development in America closely and have resources allocated to ensure we are ready to act if any more states open up quicker than expected.



**Oskar Mühlbach**  
CEO | Raketech

I previously said that 2020 would be the year that the USA goes from a strategic target to a strategic market, which is something that I still believe is within reach, even though the COVID-19 situation somewhat is slowing us down. Next slide, please. Lead Republik was founded in Ireland by a group of talented ex-Googleers back in 2016. Currently, it employs eight people in offices in South Africa, U.K., and Malta. The main business unit is run from Malta, but development and network administration is done by the South African team, while operator relations generally are handled from the U.K. Despite being a bit scattered, perhaps, the organization is rather efficient, and we are actually looking at potentially expanding it rather than decreasing it due to high demand for the services offered. Quarterly revenues are expected to be roughly up to EUR 1 million for 2020.

**Oskar Mühlbach**

CEO | Raketech

Even though there is still some integration work left to be done, I want to highlight that Lead Republik is already part of our core organization. Their products are, with that said, an important piece of our core offering. And speaking about core offering, Lead Republik has two main service lines or products. The primary one is the so-called affiliation network, where Lead Republik basically acts as an intermediary in between the operator and the affiliate, which is of great value to both the operators as well as the affiliates as it reduces administration and complexity. The Network consists of all kinds of sub-affiliates spanning from paid media to social media and communities, as well as more traditional organic top lists. Lead Republik is nowadays Raketech charged to participating operators CPA, RevShare, or hybrid models, just as always. The second product is what we refer to as Embedded Services.

**Oskar Mühlbach**

CEO | Raketech

Easily put, this is when Lead Republik acts on behalf of the operator when in contact with affiliates. Normally, this is done by placing an actual person within the operator's existing organization. The model is based on full transparency and requires a true win-win partnership, which means that we are selective as to which operators that are offered this service. The embedded affiliate manager gets access to our 10 years of combined affiliation insights, which for many operators would be impossible to find anywhere else. Strategically, the acquisition ticks almost all the boxes. It's a global flagship product. It targets markets outside of the Nordics, and it adds two completely new product dimensions: Network and Embedded Services.

**Oskar Mühlbach**

CEO | Raketech

Lead Republik is, however, unfortunately quite casino-heavy, which means that it is increasing our dependency on this specific vertical within iGaming, something we, of course, therefore need to mitigate by directing future efforts even more into other verticals than the classic casino, such as sport, if possible. Next slide, please. Now, a little something on the area of artificial intelligence. And I don't like to pick favorites, but if I have to, this slide would be the one. Many of our sites, specifically those we often refer to as comparison sites, have top lists on them. Top lists with the aim of displaying the best casino bonus offer, the casino with the highest customer satisfaction, the best sports coverage, or similar on position one, and so forth.

**Oskar Mühlbach**

CEO | Raketech

In worst case, which is the story on basically all traditional affiliation sites, the top lists are, however, manually sorted with little or no data to support how. However, coming from the e-commerce sector, I know how important this sorting can be. And I can promise you that when you look at any successful e-commerce site, it is not a coincidence that product X is on the very top left position, or that the default sorting most often leaves you with the result where the first few suggestions actually make sense. This type of data-driven sorting mechanisms is and will become even more important also in our industry going forward. That is furthermore why I wish to take the opportunity to elaborate a little on how our fully in-house developed AI-powered top lists work. The traditional affiliation top lists require manual work. They therefore naturally generate many manual errors.

**Oskar Mühlbach**

CEO | Raketech

Additionally, if you, like Raketech, have many sites, you might not even update them for a long time due to the overwhelming administration that is required. The updates that are done are typically done with knowledge about things that have already happened and then assuming that the same thing will happen again, also known as reactive updates. For the operator, the sorting is furthermore often a black box where it is not obvious that the best-performing operator wins. This creates trust issues that in turn create one-sided negotiations. Without being too technical, our AI engine is instructed to optimize value per click. To help the AI to do so, we feed it with a lot of data spanning from conversion rates, deposit levels, estimated lifetime values on specific operators, and of course, also the commercial details.

**Oskar Mühlbach**

CEO | Raketech

The AI then uses this data to make decisions on which operator to place where in the list. The important thing here to keep in mind is that the AI then takes the result from the optimization, feeds it back to the algorithm in order to continue to fine-tune the sorting. The more feedback it receives, the better it becomes. The benefits are quite obvious: less admin and risk for manual errors, up-to-date and more relevant content, the best-performing casinos will automatically get higher positions, increased conversion rates, and reduced bounce rate, which in return will have a positive effect on the, for us, so important organic rankings. And last but not least, in line with our long-term strategy, this increases transparency and creates a win-win environment for us and the operators.

**Oskar Mühlbach**

CEO | Raketech

And with those words on artificial intelligence, let's move on to Måns and his favorite topic, the financials for the quarter.

**Måns Svalborn**

CFO | Raketech

Thank you, Oskar, for that segue. And let's start on slide 11, please. Q1 was financially a stable quarter for us, where we saw increased revenues compared both to last year and the previous quarter. The quarter had a positive development in NDCs with our products performing well, and activity was higher among operators compared to Q4. In comparison with last year, revenues increased with 1.4%, and compared to Q4, revenues increased with 11.9%. Excluding the acquired revenues of Lead Republik, Q1 this year had improved revenues of 6.7% compared to Q4 last year. Worth also pointing out is that we have seen month-on-month growth during Q1. Next slide, please.

**Måns Svalborn**

CFO | Raketech

As we have communicated before, there has been an ongoing shift throughout 2019 from CPA and fixed fees towards revenue share, an effect of the operators being more inclined to go for more performance-based pricing models. Revenue share in 2020 is higher than Q1 of last year but stable compared to Q4, and this is in line with what Oskar pointed out earlier, that player values have somewhat stabilized. Flat fees are down from a very high December when activity normally is high. Flat fees are also to an extent sport-driven, which we, as Oskar pointed out as well, have seen a drop in during Q1. Furthermore, we've seen a number of new casinos onboarded, which have increased CPA deals during Q1. We continue to assess the right balance between the different revenue models.

**Måns Svalborn**

CFO | Raketech

The assessment is dependent on several different factors such as market, segment, operator, and to a degree, macroeconomic factors. Casino-related revenues have increased from 66% to 78% in Q1 compared to Q4, and sports have had a matching decrease in relative revenues. This is to some extent a consequence of COVID-19 and canceled sports events, as we have seen a decrease in sports-related revenues, as Oskar mentioned earlier. The acquisition of Lead Republik has also led to higher casino-related revenues, as their current portfolio is tilted toward this segment. As Oskar pointed out before, one of our operational goals is to balance out our revenue streams on more verticals, and we do expect sport-related revenues to increase in absolute and relative terms when sports pick up. We also see good potential in growing sports revenues within the Lead Republik platform.

**Måns Svalborn**

CFO | Raketech

Finally, revenues outside of the Nordics have increased from 10% in Q4 to 14% in Q1. The increase stems primarily from Lead Republik, with revenues primarily from New Zealand, Germany, and Canada. We have also seen a positive growth from the Japanese market through our prior acquisition, Casumba, with revenue growth of 29% between Q1 and Q4. For Q2, we are expecting revenues outside of the Nordics to reach 20% of our total revenues. Next slide, please. Net profit for the quarter amounted to EUR 1.1 million. The main item relates to depreciation on our intangible assets. These assets consist of player databases and other intellectual property, primarily related to Casumba and CasinoFeber. Through our acquisition of Lead Republik, we have also capitalized the technical platform, and this and the other assets are depreciated over three to five years.

**Måns Svalborn**

CFO | Raketech

The other items below EBITDA are minor, but worth pointing out is that the only cash-affecting item relates to the interest expense of EUR 0.1 million. Next slide, please. Total assets amounted to EUR 82 million, of which the majority relate to our intangible assets. On our liability side, amounts committed of EUR 9.6 million consist of expected earnouts, which primarily relate to CasinoFeber, Casumba, and Lead Republik. Furthermore, we have a slight net debt position of EUR 0.2 million in Q1 as an effect of the Lead Republik acquisition. In the beginning of Q2, this net debt position has, however, already been restored as our underlying net cash flow continues to be positive. Next slide, please. This slide illustrates our cash flow bridge Q1 this year versus Q4 of last year.

**Måns Svalborn**

CFO | Raketech

Net cash from operations of close to EUR 2.6 million is up from EUR 1.8 million compared to the previous quarter and has increased with higher profitability. Net cash from investing activities relates to the acquisition of Lead Republik of EUR 1.4 million and earnout payments of EUR 2 million. Cash flow from financing activities relates to interest and lease payments. Disregarding the acquisition of Lead Republik, we can conclude that we have a positive underlying net cash flow of EUR 0.5 million. Next slide, please. Our reported EBITDA compared to Q1 of last year is quite significantly lower, so let me walk you through the contributing factors behind this, as it ties very close to our operational goals and our current organizational transformation. The EBITDA margin in Q1 of last year was 54.1% compared to 40.2% now in Q1.

**Måns Svalborn**

CFO | Raketech

The two bigger line items bringing the EBITDA down relate to direct costs and employee benefits costs. When it comes to direct costs, we have during the last nine months added new products and offerings, the main ones being Rapidi, Paid Media, and the most recent one, Lead Republik. These are all lower-margin products but are essential for us to be able to be the full-service performance marketing company that global operators are looking for and essential for us to be able to reach a much bigger geographical spread. The other increase in costs relates to employee benefit expenses, and these are as well a direct effect of the transformational change and geographical expansion.

**Måns Svalborn**

CFO | Raketech

We have, during the last nine months, strengthened the management team, strengthened our data and sales analytics team, and we have expanded our organization to cater for an increased focus on M&A and entry into the U.S. market. As you will see, however, in the next slide, our costs related to employee benefits have leveled out, and our direct costs have reached a scalable level. Next slide, please. This slide illustrates the margin development between Q4 2019 to Q1 2020. Our direct costs have been stable, which improves the margin as revenues increase. The addition of Lead Republik has partly offset this effect, and this will obviously be a variable cost that correlates with our revenues. Employee costs have been stable and even slightly decreased and thus have a positive margin contribution as revenues increase.

**Måns Svalborn**

CFO | Raketech

As I pointed out, we have reached a good level in terms of our organization and are not planning for any further significant investments in this regard. Thank you, and back to Oskar and slide 19, please.

**Oskar Mühlbach**

CEO | Raketech

Thank you, Måns. Despite a tough comparison, we managed to grow year-over-year as well as quarter-over-quarter. The quarterly growth was quite substantial, even cleared from non-organic growth. We think that we have noticed some sort of stabilization when it comes to player values as well as distribution between different sales categories such as rev share and CPA. Our NDC intake has continued to be strong, and April revenues amounted to EUR 2.4 million with a stabilized EBITDA margin over 40%. During the quarter, we furthermore acquired Lead Republik, which does not only add extra revenues but also strategically important milestones such as increased geographical footprint, product categories, and more.

**Oskar Mühlbach**

CEO | Raketech

We also implemented our first tries with artificial intelligence, which might sound like a small thing but is telling you something about how we want to run the business going forward. In addition to this, we secured yet another top talent, this time Oskar Karlsten, who joined the company in early May. Despite coming out of Q1 with somewhat operational confidence, I must point out that we live in a volatile world. If it isn't COVID-19, it is stricter regulations making the situation more difficult to assess. With that said, I think our strategy makes more sense than ever, and therefore our focus is and will continue to be to deliver on this. And as a reminder on the strategic operational goals, they are, firstly, to be present on at least three continents, and to be present, revenues must represent more than 10% of the group's total revenues.



**Oskar Mühlbach**

CEO | Raketech

Secondly, build at least four to five global flagship products like the TV Sports Guide or now also the Lead Republik Network. Thirdly, make sure our offering contains at least four to six product categories such as communities, comparison products, social media, paid media, network sales, and more. And finally, ensure the revenue split does not exceed 60% of the group's total from a single vertical, like it does today with casino. The green dots in this slide signal our progress on each of these during the quarter, clearly showing we are moving in the right direction in terms of strategy. And with those final words, I would like to make room for questions. Please move on to the next slide.

## Q&amp;A

**Operator**

Thank you. If you wish to ask a question, please dial 01 on your telephone keypad now to enter the queue. Once your name is announced, you can ask your question. If you find it's answered before it's your turn to speak, you can dial 02 to cancel. There'll be a brief pause now while we register any questions. Okay, we have one question coming through so far. That's from the line of Christian Hellman at Nordea. Please go ahead. Your line is open.

**Christian Hellman**

Senior Equity Research Analyst | Nordea

Hi guys. Thanks for taking my questions. One question on the trading update here for April. Can you tell us a little bit about what you've seen in different markets, Sweden versus the other Nordic countries and perhaps also abroad, just to give some flavor on that development so far in Q2?

**Oskar Mühlbach**

CEO | Raketech

Good morning, Christian. Thank you for your question. Of course, I can elaborate a little bit on this.

**Oskar Mühlbach**

CEO | Raketech

I want to point out, though, that we don't normally give guidance on very specific markets in that term, and I don't want to give predictions as of the total result for Q2 as of yet. I can still say that the geographical split, as we've seen it before, is not substantially changed in April. Nothing to comment there, and to clarify our geographical spread, our largest market is still Sweden, even though our dependency on Sweden has decreased, which is a positive thing, with the acquisition of Lead Republik being the main factor for that. Our second largest market is Finland, and then we have a cluster of markets making up roughly the same size, and those are Norway, Denmark, Germany, and Japan, and lastly and least, we have two markets that bring in substantial revenues, but our smallest ones, and they are Canada and New Zealand.

**Oskar Mühlbach**

CEO | Raketech

On a general note, to comment on specific market development, I don't see any major shifts from what we've experienced previously.

**Christian Hellman**

Senior Equity Research Analyst | Nordea

In particular, there's a lot of, I guess it hasn't been implemented yet, but at least there have been some suggestions from the government about enforcing stricter rules on bonuses, SEK 100 limit, etc. What's your thoughts on this, and how would that impact the affiliation business and your business in particular?

**Oskar Mühlbach**

CEO | Raketech

Thank you for that question. That's a very interesting one and something that we, of course, monitor very closely, and a question I also expected potentially could come up in this Q&A session. And I would love to be able to give a straight answer to that and tell you exactly how it's going to influence us. But unfortunately, we have just as little information as everyone else about what the regulation will hold.

**Oskar Mühlbach**

CEO | Raketech

What I can say with certainty, though, is that if it is imposed as it was originally suggested, it will have a quite negative impact on the channelisation with a lot of increased, basically, problem gambling behavior. That's what we know for now. We're, of course, monitoring the situation and awaiting the final suggestion from the government. And if you look at all the feedback that has been given from various organizations, it seems like the criticism has been quite harsh. So hopefully, we'll see not as harsh restrictions as they originally suggested, but we don't know anything more at this point, unfortunately.

**Christian Hellman**

Senior Equity Research Analyst | Nordea

Okay, I understand. Thanks.



**Oskar Mühlbach**  
CEO | Raketech

Thank you.



**Operator**

Thank you. Once again, if there are any further questions, please dial 01 on your telephone keypads now. And we have a further question coming through. That's from the line of Mathias Lundberg of SEB. Please go ahead. Your line is open.



**Mathias Lundberg**  
Analyst | SEB

Good morning. This is Mathias. I have a question or a couple of ones. The first one, I saw that you mentioned it in the report that you had seen some changes in the market with the operators. Have you seen any changes in your dialogues with the operators? How they want to operate with you, what kind of contracts they want to sign? If you could elaborate a bit more around that, it would be great.



**Oskar Mühlbach**  
CEO | Raketech

Okay, of course. Good morning, Mathias. Thanks for the question. It is still, I think you're referring to potentially the Swedish market, or is that what you are particularly asking about, or?



**Mathias Lundberg**  
Analyst | SEB

Well, if you've seen any changes in your customer footprint and the commercial terms with them, or have you addressed your footprint in some sense? I'm just curious about the general dynamic between the affiliates and operators in current markets.



**Oskar Mühlbach**  
CEO | Raketech

Yes. Okay. Okay. I think I understand. I mean, in situations where volatility is high, obviously, the demand or request for rev share sort of setups is increased, and that is a natural part of our industry. We are, at the same time, also monitoring that very closely, and I would say that we are focusing on ensuring that our largest partners with proven credit track record and successful businesses are mainly on rev share rather than other types of deals, and obviously, new operators in regions or geographies that are new to us, where we don't have enough knowledge yet to assess the lifetime values of the players, that would then naturally be more of a CPA-based commission model.



**Oskar Mühlbach**  
CEO | Raketech

And we haven't really seen any effects of the volatility as of yet in terms of pushing us any direction. But of course, if volatility continues, we might see demands for that. But we are also, on our side, very careful with who we allow to be on specific deals, etc. So we're assessing that on an individual basis, depending on the operator and the geography.



**Mathias Lundberg**  
Analyst | SEB

That's really helpful. Thank you. And looking at the NDC inflow, is that particularly heavy towards some markets, or is it more or less in line with the geographical footprint you have on revenues, or is there some tilt to some markets there?



**Oskar Mühlbach**  
CEO | Raketech

Yes. It's also a good question. As I also mentioned in the presentation, we see generally very good performance from our product line across the board. But of course, the more sports-heavy countries such as Denmark and Finland have seen a more significant decrease during this time of Corona and canceled sports events. So that is an obvious consequence of that. And then furthermore, quite a substantial amount of the NDC increase also stems from the Lead Republik acquisition. And obviously, those markets are markets that are fairly new to us or where we had limited footprint before. So NDCs coming in from Canada, Germany, and New Zealand are obviously making up a fair share of the increase in NDCs.



**Mathias Lundberg**  
Analyst | SEB

Great. And could you perhaps go into when you invoice an operator, typically how long does it take for you to have the payment, the conversion cycle there?



**Oskar Mühlbach**

CEO | Raketech

That varies between the operators. A large amount to actually get paid right away. So after the month is closed, we get paid right away, and then the credit terms differ a little bit depending on which operators we pay with, without getting into a lot of details on it.



**Mathias Lundberg**

Analyst | SEB

Okay. And could you perhaps, the last one for me, conclude a bit where you are on the USA growth initiative? Where are you right now in that organization and looking at revenue-wise? How do you view USA right now in the near term?



**Måns Svalborn**

CFO | Raketech

All right. I can take that one. US is, as I also mentioned in the report, a strategic target for us, and hopefully, 2020 will be the year when we turn that into a strategic market. Obviously, the USA is very sports-heavy, so a lot of the planned marketing activities have been postponed from our side. But we, of course, use the time to make sure that we have all the infrastructure in place. So when the sports return back, we hope that we will maybe be able to reap some benefits there. We're still experimenting with exactly what type of services to offer, but it's primarily tilted towards paid media, which we believe the USA is more suitable for than more of the organic focus that is in the Nordics, for instance.



**Mathias Lundberg**

Analyst | SEB

Great. That's all for me. Thank you very much.



**Oskar Mühlbach**

CEO | Raketech

Thank you.



**Operator**

Thank you. Once again, if there are any further questions, please dial 01 on your telephone keypads now. Okay. There seems to be no further questions, so I'll hand back to our speakers for the closing comments.



**Oskar Mühlbach**

CEO | Raketech

All right. So thank you, everyone, for joining the presentation today. We look forward to talking to you again in connection with the Q2 report in August. Have a great.