

February 19, 2025

Raketech

Q4 2024



Speakers



Johan Svensson
CEO | Raketech



Måns Svalborn
CFO | Raketech



Hjalmar Ahlberg
Analyst | Redeye



Operator



Rikard Engberg
Equity Research Analyst | Carnegie Investment Bank

Prepared Remarks



Operator

Welcome to the Raketech Q4 2024 report presentation. For the first part of the presentation, participants will be in listen-only mode. During the Q&A session, participants are able to ask questions by dialing pound key five on their telephone keypad. If you are listening to the presentation via webcast, you can ask written questions using the form below. Now, I will hand the conference over to CEO Johan Svensson and CFO Måns Svalborn. Please go ahead.



Johan Svensson

CEO | Raketech

Good morning and welcome to Raketech's Q4 2024 presentation. My name is Johan Svensson, and I'm the CEO of Raketech. Today, CFO Måns Svalborn and I are here to present Raketech's Q4 report and the full numbers of 2024. We will as well share an update regarding a new strategic direction when it comes to our affiliation marketing vertical, but first we will start with our Q4 financial highlights. We came in at EUR 12.3 million in revenues in Q4, an organic decrease of 45.9% year-on-year, and 42.6% adjusted for the divestment of advisory tipster business. Adjusted EBITDA of EUR 3.2 million, a decrease of 46.2% year-on-year, with an EBITDA of EUR 3 million. Total revenue for the full year of EUR 61.2 million, with an adjusted EBITDA of EUR 15.7 million and an EBITDA of EUR 14.7 million.



Johan Svensson

CEO | Raketech

Free cash flow for the full year of EUR 14.7 million, in line with EBITDA, which provides financial headroom to settle our earn-out commitments, including the EUR 8 million due in H1 and the remaining EUR 20.6 million payable at our discretion until September 2026. The outcome of the assessment of our operating model has resulted in further cost savings. In Q4, our costs were 29% lower compared to Q1 2024, direct publisher costs excluded. For February, we announced a non-cash impairment of EUR 48.5 million, relating primarily to a reduction in the intangible book value of non-core assets acquired pre-IPO. As from this year, we will start and report our quarterly figures earlier than before, and we will, as such, adapt our trading update accordingly. Now, let's look at the performance of each business area during the quarter.



Johan Svensson

CEO | Raketech

Starting with affiliation marketing, revenue in Q4 came in at EUR 6.5 million, a decline of 32% year-on-year and 4% lower than Q3. Casumba assets continued to decline, while remaining affiliation marketing portfolio grew with 3% compared to the previous quarter. Turning our Casumba assets from decline to growth is a key focus, and we have invested in the team and the product to adapt to the changes in the market and the new competition. We saw a stable traffic performance in Sweden in line with the previous quarter. The increased local taxes from 1st of July continued to impact our revenue share contract and the new investment from the operators, which led to a slight decline in revenue from the Swedish market compared to the previous quarter. Denmark has developed into a growth market for us. It's a relatively small market in relation to other regulated markets in Europe.



Johan Svensson

CEO | Raketech

However, we have a strong position when it comes to sports traffic, and during the last six months, our casino traffic has increased significantly. Our sports assets in total grew with 7% compared to the previous quarter. We have had a good momentum for our sports assets, and we plan to launch a handful of new sports products during the first half of 2025. We have started to see positive traffic trends from the slots portfolio and the Italian market after we in October entered into a strategic partnership with the founders of these assets. We have recently signed another four strategic partnerships for our affiliation marketing portfolio, which I will speak more about on the next slide. Sub-affiliation revenues amounted to EUR 5.2 million, a decrease of 54% compared to the strong Q4 last year and 5% lower compared to the third quarter this year. Sorry, 2024.

**Johan Svensson**
CEO | Raketech

The gross margin for sub-affiliation was 20% in Q4. The paid revenue at Raketech Network continued to grow month-on-month during the quarter after hitting an annual low in September. As we have previously reported, our paid publishers have had operational challenges with Google Ads campaigns during the last quarters, and we expect this to continue to be volatile. Our relationship with the publishers and operators is strong, and we are standby and ready to scale up the business further when the market conditions improve. Affiliation Cloud, our in-house developed sub-affiliation platform, continued to deliver a 74% organic growth compared to Q4 last year. Betting tips and subscription. Following the sale of our land-based tipster business in the U.S., we have been focused on improving conversion rates and monetization for our digital tipster platforms. While traffic volumes remain strong, we have not yet fully realized our expected outcomes.

**Johan Svensson**
CEO | Raketech

Given the relatively small size of the US tipster subscription business and that we did not achieve the results we hoped for, we have now started a strategic review of the remaining tipster business, and we aim to take a decision about the future for this vertical before the end of this quarter. Going to the next slide, I will update you on our new strategic partnerships for our affiliation marketing vertical and the background for these partnerships. Given the performance development of the Casumba portfolio, we have continued to evaluate the entire affiliation marketing portfolio to identify the most promising opportunities for profitability and long-term organic growth. Raketech completed more than 25 acquisitions between 2015 and 2021. Some of these assets have had very good development, while other assets have had a tough time competing after the assets have been migrated and operated fully in-house.

**Johan Svensson**
CEO | Raketech

We have continued to maintain good relations with many of the founders and entrepreneurs of these assets we previously acquired. These relationships, and through our network in the iGaming industry, have resulted in four additional strategic partnerships with entrepreneurs who have a successful track record of operating affiliation marketing products. Each partnership is unique, but what is common for all of them is that Raketech takes care of sales, commercial agreements, finance, reporting, data management, and some tech services. The strategic partner is responsible for day-to-day operations of the product, including SEO, content, and product development. This type of partnership is not a new thing for Raketech. Since 2015, the company has successfully maintained operating strategic partnerships in the Nordic markets. In October last year, we entered into a partnership with the founders of the slots portfolio, focusing on Southern Europe and Latvia.

**Johan Svensson**
CEO | Raketech

The new strategic partnerships include both sports and casino products in several different markets. With these new partners on board, almost 50% of our affiliation marketing revenue will come from products operated in strategic partnerships, which has and will result in a continued streamline of our in-house operations. Additionally, centralizing more resources at our headquarters in Malta has created a more efficient organizational structure. Looking ahead, this strategic partnership will ensure a sharper focus and stronger performance while benefiting from retaining ownership. This should result in improved growth and sustained margin performance. Moving on to sub-affiliation and exclusive commercial agreements. The development of Affiliation Cloud continues. We have a clear vision for the product, and we are launching new functionality and improvements every month.

**Johan Svensson**
CEO | Raketech

Until now, we have mostly had publishers with organic products on the platform, but we plan to start migrating paid publishers from Raketech Network to the platform during the second half of Q1. A strong contributing factor to organic growth is the exclusive commercial agreements with operators, where we are the only sub-affiliation platform that can offer a commercial deal with a specific operator. We have now been the exclusive sub-affiliation platform for four operator launches, three of which were in 2024, both for the Swedish and the U.S. market. We believe we'll opt in this setup instead of a traditional affiliation model. In the traditional affiliation model, each operator needs to negotiate and agree to deal with each affiliate to secure exposure and distribution. The operator must have its own affiliate team with local expertise for each market to secure compliance.

**Johan Svensson**

CEO | Raketech

At Affiliation Cloud, the operators get access to multiple affiliates through one agreement. Our publisher team takes care of the commercial negotiations and secures the distribution, including compliance. We pay the affiliates their commission on demand to secure good cash flow for our publishers. Now, over to Måns and a deeper look into our financials.

**Måns Svalborn**

CFO | Raketech

Thank you, Johan. We saw total revenues of EUR 12.3 million in Q4, which represents a slight decrease for both affiliation marketing and sub-affiliation from Q3. On your left-hand side, we have total revenues split on our three business areas, and on the right side, total revenues distributed on cluster of regions. Starting with affiliation marketing, which constitutes 53% of total revenue. Although this area is down somewhat from last quarter, the decline is primarily due to our Casumba assets, and excluding these assets, the remaining portfolio of assets increased with 3%. We saw some improvements for primarily our major sites in the Nordics through better performance, but also an effect of the expected positive seasonality effects. Sub-affiliation represents approximately 42% of total revenues, as we highlighted in Q3.

**Måns Svalborn**

CFO | Raketech

Activity slowed down quite significantly and hit a low point at the end of that quarter, but as we indicated, activity picked up in Q4 and increased month over month throughout the quarter. Not at the same levels we saw during the first half of the year, but still positive to see. This slide shows revenue mix and vertical split. Just a couple of quick points on this slide. First, the variations in CPA are largely driven by the lower activity in sub-affiliation. This area is predominantly CPA-heavy, driving the decline from a very strong Q4 of last year. Secondly, the flat fees compared to the previous quarter saw a slight decline, again relating primarily to lower traffic for the Casumba assets, while other assets are stable to growing.

**Måns Svalborn**

CFO | Raketech

As highlighted in the previous quarter, we had a continuing review of all products and business areas to ensure that we are operationally efficient. From a high point in Q1 with regards to cost, we initiated a review and cost-cutting initiative, similar to last quarter, we are now seeing these initiatives realizing, with an overall decrease in total cost, excluding publisher cost, of about 29% from Q1. As we move along, we will continue to tweak and fine-tune our operating model in line with the overall strategy. Adjusted EBITDA was EUR 3.2 million, slightly ahead of last quarter, positively impacted from the realized cost saving that I mentioned on the previous slide. On the right-hand side and free cash flow before earnouts, as I've noted before, there will be timing effects between EBITDA and free cash flow between the quarters.

**Måns Svalborn**

CFO | Raketech

However, looking over a longer period of time, they will correlate, and for the full year of 2024, free cash flow is very much in line with EBITDA. With regards to our outstanding earnouts, and up until the first year of this year, 2025, we will settle EUR 8 million. This will be settled in cash using our current net cash position, expected free cash flow, and the existing facility we have in place. One point to make here is that we already settled EUR 3 million out of the EUR 8 million now in January 2025. As Johan pointed out in the beginning, the remaining EUR 20.6 million, as we have communicated previously, can be settled at any point in time up until September 2026 at our discretion. We also have at our discretion the possibility to settle part of this in shares.

**Måns Svalborn**

CFO | Raketech

Post-September 2026, there are no other outstanding commitments related to any other acquisitions. That's me, and over to you, Johan.

**Johan Svensson**

CEO | Raketech

Thank you, Måns. To summarize before we open up for Q&A, revenues in Q4 of EUR 12.3 million, EBITDA of EUR 3.2 million, and sorry, adjusted EBITDA of EUR 3.2 million and EBITDA of EUR 3 million. Total revenue for the full year, EUR 61.2 million, with an adjusted EBITDA of EUR 15.7 million and an EBITDA of EUR 14.7 million. Free cash flow for the full year of EUR 14.7 million in line with EBITDA, which provides financial headroom to settle our earnout commitments, including the EUR 8 million due in H1 2025 and the remaining EUR 20.6 million payable at our discretion until September 2026.



Johan Svensson
CEO | Raketech

Affiliation marketing. Today, we are pleased to announce the four new strategic partnerships for our affiliation marketing product vertical. While Casumba Recovery remains an in-house priority, we have founders still dedicated to the business and much involved in the daily operations. Sub-affiliation. Affiliation Cloud delivered a 74% organic growth year on year.



Johan Svensson
CEO | Raketech

Raketech Network, our paid sub-affiliation business, showed month-to-month improvement during the quarter after the annual low in September. We will start and migrate the first publishers from Raketech Network to Affiliation Cloud during Q1. U.S. tipster and subscription. We have started a strategic review of the remaining U.S. tipster business, and we aim to take your decision about the future for this vertical before the end of this quarter. Outlook. As mentioned at the beginning of this call, we will start a report earlier this year. The Q1 report will be published on the 7th of May, and the Q2 report on the 23rd of July. We will, as such, adapt our trading update accordingly. Looking at the start of 2025, the affiliation marketing performance is in line with Q4, but with somewhat overall lower revenues due to seasonality and lower marketing budgets from the operators.



Johan Svensson
CEO | Raketech

Sub-affiliation had a slower start in January compared to the end of the fourth quarter, but is gradually picking up in February. Today, we talked about our new strategic partnerships within affiliation marketing, which is a part of a transformation that is currently underway within Raketech. In connection with the Q1 report in May, we will present a more comprehensive strategic update and give you a financial outlook for the rest of the year. With this word, we open up for Q&A.



Operator

If you wish to ask a question, please dial pound key five on your telephone keypad to enter the queue. If you wish to withdraw your question, please dial pound key six on your telephone keypad.



Johan Svensson
CEO | Raketech

Hello.

Q&A



Operator

The next question comes from Hjalmar Ahlberg from Redeye. Please go ahead.



Hjalmar Ahlberg

Analyst | Redeye

Hi. Thanks for taking my question. Maybe just a question on Casumba first here. You still work on trying to recover traffic and revenue from the asset. Do you think any feeling that it has bottomed out here, or do you feel risk of a decline, or if you can give some flavor on that?



Johan Svensson

CEO | Raketech

Hjalmar, what we see is that we see stable traffic at these lower levels, but our own revshare databases are still declining since we are sending, yeah, not that many players as we used to do. Traffic is stable at lower levels for the most important keywords in the market.



Hjalmar Ahlberg

Analyst | Redeye

All right. Looking at this new focus on strategic partnership within affiliation, you first talked a bit about this last quarter with the slots portfolio. It sounded like this has performed good. Has it worked as planned, or can you give some updates on that? This part, I guess, is early days, but can you have some information on that?



Johan Svensson

CEO | Raketech

Yes. The Slots Portfolio partnership, we entered into that in early October, and we have started to see positive traffic trends, especially in the Italian market for these assets. It is still too early to fully assess that partnership. We have had or have similar strategic partnerships all the way back to 2015, which are for the Nordic markets, which have worked out very well over the years. We are confident for the new strategic partnerships here.



Hjalmar Ahlberg

Analyst | Redeye

All right. Coming to profitability of this partnership, I guess you said historically that it's similar to affiliation. Is that what you believe for this new partnership as well?



Johan Svensson

CEO | Raketech

Could you please repeat?



Hjalmar Ahlberg

Analyst | Redeye

Regarding the kind of profitability and business model for the partnerships, I think you said in Q3 that the profitability should be similar as you do it in-house. Is that the same for these new partnerships that you've signed?



Johan Svensson

CEO | Raketech

Yeah. Hi, Hjalmar. They have the same structure, so we are targeting to have a similar margin on all the products. Yeah, simply because we're getting, yeah, internally, the operational will be less as well. So we're realizing cost savings there as well at that same time.



Hjalmar Ahlberg

Analyst | Redeye

Right. I mean, if these partnerships are successful, how do you make sure that the guys that are kind of operating the assets, that they remain there, or I mean, can't they just do it themselves then? I mean, can you explain a bit how that works?

**Johan Svensson**
CEO | Raketech

Yes. First, we have long contracts with them, and we also sit on all commercial agreements with the operators. Many of these entrepreneurs, they are good on product development, SEO, but they appreciate to have a partner who takes care of sales, commercial agreements, finance, reporting, data, hosting services. It is a good win-win situation.

**Hjalmar Ahlberg**
Analyst | Redeye

All right. Regarding the U.S., I mean, you have the subscription business there, and it is under review. I mean, if you decide that this is non-core and divest it or close it down, will you still have exposure to the U.S. market?

**Johan Svensson**
CEO | Raketech

We will. We will through sub-affiliation. In Q3, we signed an exclusive sub-affiliation platform agreement with a large U.S. operator. We have only a sub-affiliation platform who could offer deals for that specific operator. U.S. is an important market for Affiliation Cloud.

**Hjalmar Ahlberg**
Analyst | Redeye

Right. Coming back to Affiliation Cloud, I mean, you saw really strong growth there, but we do not have any numbers. Do you think you will reveal more details on that, or is it more that you will have this included in the sub-affiliation in total?

**Johan Svensson**
CEO | Raketech

Yeah. We're working on developing the platform. As mentioned, we will now in Q1 start and migrate Raketech Network sub-affiliation publishers from a third-party platform to our own platform. The target is to have all sub-affiliation revenue on Affiliation Cloud at some point. We're not there yet, but we're working towards that target.

**Hjalmar Ahlberg**
Analyst | Redeye

All right. Coming to the outlook for 2025, I guess you will come back to that in Q1, as you stated, with some more information on the partnerships among others. Could you give some flavor and perhaps on the regional outlook? Do you see any regions that have tailwinds or potentially any headwinds? I mean, for example, some other affiliates have Brazil where the regulation seems to hit a bit tougher than expected, maybe. If you can give some flavor on the regional outlook in 2025.

**Johan Svensson**
CEO | Raketech

Yes. Yeah. The Casumba asset is still declining. We've seen some lower revenue from the Swedish market here in H2 as a consequence of the tax increase from the 1st of July. Italy is growing. Denmark, as mentioned, is growing. We also have seen, yeah, good growth in the U.S. from Affiliation Cloud. Yeah, we will come and give you a more detailed financial outlook in relation to the Q1 report, 7th of May.

**Hjalmar Ahlberg**
Analyst | Redeye

All right. Just a final question on your earnout payments from here. I guess you had EUR 8 million coming up this year. Looking at the EUR 20 million remaining in 2026, is there any headroom on the timing of that? Could that be renegotiated, or is that a very firm last date of payment in September 2026?

**Johan Svensson**
CEO | Raketech

We can get back to you around that a little bit later on. What we feel at the moment is that we have a lot of alternatives around the earnout and how we deal to settle it or find other alternatives. Let us get back to you guys with that later on when we get closer to it.

**Hjalmar Ahlberg**
Analyst | Redeye

All right. Thank you.



Johan Svensson
CEO | Raketech

Thank you.



Operator

The next question comes from Rikard Engberg from Carnegie Investment Bank. Please go ahead.



Rikard Engberg
Equity Research Analyst | Carnegie Investment Bank

Good morning, guys.



Johan Svensson
CEO | Raketech

Good morning, Rikard.



Rikard Engberg
Equity Research Analyst | Carnegie Investment Bank

Yeah. I have one question about sub-affiliation and Affiliation Cloud. Given that you're going to migrate customers to Affiliation Cloud, would that indicate that the gross margin for sub-affiliation might go up once the migration is done?



Johan Svensson
CEO | Raketech

No. That wouldn't really impact unless I'm misunderstanding your question. Are you thinking about something specifically?



Rikard Engberg
Equity Research Analyst | Carnegie Investment Bank

Yeah, basically since that you don't have to use a third-party software.



Johan Svensson
CEO | Raketech

No, no. Okay. Okay. Yeah. No, not materially. That is in relation, quite a small cost for us.



Rikard Engberg
Equity Research Analyst | Carnegie Investment Bank

Okay. Thank you. That was basically my question.



Johan Svensson
CEO | Raketech

Thank you, Rikard.



Operator

As a reminder, if you wish to ask a question, please dial pound key five on your telephone keypad. There are no more phone questions at this time, so I hand the conference back to the speakers for any written questions or closing comments.



Johan Svensson
CEO | Raketech

Yes. Let's start and look at the written questions.



Måns Svalborn
CFO | Raketech

Yes. We have one question here relating to the disposal of the tipster business and if all money have been paid. If not, how much will remain and when will the remaining part be settled? This we indicated in the press release when we sold it that there is one part up front and then there is one part which is on revshare. That revshare is ongoing still. The current assessment we have is that that will be settled as a current receivable. It will be settled within the next 9-12 months is the current assessment. Here is one around market conditions that are hurting sub-affiliation. I think we talked about this previous quarter, but Johan, maybe you want to.



Johan Svensson
CEO | Raketech

If it's Google-related, and yes, it is, these paid publishers, they have challenges to operate their campaigns through the Google Ads platform, which has been going on for, yeah, since mid-Q2 last year. There is another question around sub-affiliation and if there were any plans to expand sub-affiliation to new fast-growing markets such as some African countries. Yeah. For Affiliation Cloud and on what we've seen is that the pay is a bit volatile. We focus a lot on the organic side, and regulated market is the prime target. We don't close any doors for regulated African markets.



Måns Svalborn
CFO | Raketech

There is a question on the SlotJava products. Seen any improvements? I believe Hjalmar touched upon this, and you answered this. If there's anything you want to add, Johan, please go ahead.



Johan Svensson
CEO | Raketech

We have since the founders in this strategic partnership took over assets in early October, we have started to see traffic and ranking improvements, especially in the Italian market. There are improvements, definitely.



Måns Svalborn
CFO | Raketech

There is a question around an increase. What is the reason for an increase with regards to receivables as a percentage of revenue and if there is a problem to get paid from customers? The short answer is no. We have not seen a difference in trends of settlement.



Måns Svalborn
CFO | Raketech

It is always a bit of work in this sector, and that will continue, but we have not seen any negative trends in getting paid. There is a question about, yeah. There are a couple of questions on the earnout payments that are very similar to the question from Hjalmar. I think those have been replied to. There is a question on any guidance on revenues EBITDA for 2025. As Johan pointed out, we will get back to this in connection with the Q1 with a more overview on the financial outlook.



Johan Svensson
CEO | Raketech

Question about the Brazilian market being forecasted for the start of 2025. The re-regulation started 1st of January, and it's still too early to draw any conclusions on the outcome of the re-regulation. We can come back to that in the Q1 report.



Johan Svensson
CEO | Raketech

Okay. That was all for today. Thank you all for listening in, and thank you for all questions. We hope to see you again in May. Thank you.