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**Raketech**

Q2 2024



## Speakers



**Hjalmar Ahlberg**  
Analyst | Redeye



**Johan Svensson**  
CEO | Raketech



**Måns Svalborn**  
CFO | Raketech



**Operator**



**Rikard Engberg**  
Analyst | Carnegie Investment Bank

## Prepared Remarks

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### Operator

Welcome to the Raketech Q2 2024 Report Presentation. For the first part of the presentation, participants will be in listen-only mode. During the questions and answers 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 speakers, CEO Johan Svensson and CFO Måns Svalborn. Please go ahead.



### Johan Svensson

CEO | Raketech

Good morning, and welcome. My name is Johan Svensson, and I'm the CEO of Raketech. Today, CFO Måns Svalborn, and I are here to present Raketech's Q2 2024 report. We will start with our Q2 financials. Raketech delivered EUR 17 million in revenues in Q2, an organic decrease of 3.7%. EBITDA of EUR 4.4 million, a decrease with 20.3% year-on-year, resulting in EUR 9.4 million in adjusted EBITDA for the first half of the year. Revenues for the month of July were EUR 4.6 million, mainly impacted by weak performance from a lower-margin sub-affiliation business. Some of our larger publishers had operational challenges in July, but we expect the revenue to pick up during the rest of the quarter.



### Johan Svensson

CEO | Raketech

Considering the first half of the year and the current trading for July, we can now more accurately forecast our outlook for the full year. This means we are now able to further specify the full year guidance of around EUR 20 million into a range of EUR 17 million-EUR 19 million in Adjusted EBITDA. Free cash flow before earn-out is estimated to come in just below EBITDA. Our current cash flow gives us the financial flexibility to settle the current Casumba earn-out and ensure long-term growth and value creation. Now, let's look at how our different business areas performed during the second quarter, and we will start with affiliation marketing. Affiliation marketing.



### Johan Svensson

CEO | Raketech

Our in-house operated assets had a slower quarter, with revenues of EUR 7.6 million, a decline with 25.9% compared to Q2 last year, mainly impacted by weak performance from our Casumba assets and softer Swedish casino performance. The traffic situation for Casumba has stabilized in the end of the second quarter, but at lower level compared to the start of the year. We saw a softer performance from our Swedish casino assets or by our affiliates promoting non-regulated operators towards the Swedish end users. Our sport assets, with high portion of returning users, performed well during the quarter, resulting in double-digit growth. Sub-affiliation. Sub-affiliation revenues amounted to EUR 8.2 million, an increase with 29.7% compared to Q2 last year, but a decline in total revenues compared to previous quarter.



### Johan Svensson

CEO | Raketech

For the second time, we are now reporting gross profit, and we had a 21.3% gross profit margin in Q2. Betting tips, our US tipster sales delivered EUR 1.1 million in revenue during Q2, a 15.9% increase compared to Q2 last year. We have, during July, divested the manual advisory business. Later on in this presentation, I will give you more details around the divest of advisory business and our remaining betting tips and subscription business. Now, I will give you a more detailed update about each business area. Starting with affiliation marketing, our in-house owned and operated assets. The last part of the Casumba earn-out was completed in July. Måns will share an update on his section about the final amount of the Casumba earn-out. The core Casumba team, including the founders, are intact.



### Johan Svensson

CEO | Raketech

Following the Google Core update, which affected the Casumba assets, we quickly mobilized internal resources and made a large business audit of all affected assets. The audit led to several actions of improved content focused on a broader audience, tech improvements, on-page and off-page SEO, and overall, a better user experience. The traffic performance the end of the quarter, but at lower levels than before. A strategic important focus for us is to lower our SEO dependency by increasing CRM activities. We are collecting data from our users when they visit our websites and products. We then use this data by sending them customized offers. An example of this is when a new operator is launched. The purpose of these activities is to increase the value of users and to be able to convert them to our partners when they are not actively visiting our products.

**Johan Svensson**

CEO | Raketech

Our internal sport assets had a strong quarter, with double-digit growth driven by performance improvements, new content, and additional features, plus new types of campaigns. UEFA Euro was a good event for our sports sales, and we have continued to create similar sport packages for upcoming sports events as Premier League and the local Nordic leagues... Moving on to sub-affiliation. Our sub-affiliation saw year-on-year organic growth in the second quarter for both Raketech Network and Affiliation Cloud. Some of our top publishers had operational challenges, which led to a small decrease compared to the previous quarter. We went first full exclusive partnership. The new Swedish operator, Spelklubben, gave us the trust to run their entire affiliate acquisition. This means that all affiliates who want to promote the brand need to sign up on Affiliation Cloud, where we have a mock-up on all referred players to the brand.

**Johan Svensson**

CEO | Raketech

We have made similar partnerships in the past, including the deal with Svenska Spel and their casino, Momang. But this deal with Spelklubben was the first time that an operator appointed us to run their their full affiliation acquisition. These types of partnerships are strategic important for us, dialogue with more operators to establish similar exclusive agreements. In March, we successfully launched our sub-affiliation business in the U.S., when North Carolina opened up for sports betting. During the second quarter, we have developed the processes and added more operators to our offering. We expect to see an increase in revenues for the upcoming football season. Betting tips and subscription. In Q2, we finalized the strategic review of the U.S. business, which resulted in a decision to divest our non-core manual, high-touch tipster advisory operations.

**Johan Svensson**

CEO | Raketech

The advisory business was not aligned with our strategic vision, and its operations demands outweighed its performance. In July, we successfully sold our tipster advisory business for \$2.25, and we also secured an exclusive lead generation deal valued \$250K over the next 12 months. This transaction also included a one-time non-cash impairment charge of EUR 10 million. With this divestment, we are fully focused on enhancing our US flagship assets to drive online conversions of paid picks and predictions, and to increase our affiliation revenue on these assets. We are confident that this strategic focus will deliver positive outcomes. Our US flagship assets, Winners and Whiners, Statsalt, and Picks and Parlays, continue to rank strongly, generating more than 50 million sessions annually, with users spending several minutes on each website per visit. Maximizing the growth opportunity on this platform is paramount.

**Johan Svensson**

CEO | Raketech

Now over to CFO, Måns Svalborn.

**Måns Svalborn**

CFO | Raketech

Thank you, Johan. We saw total revenues of EUR 17 million, which was, as Johan highlighted, a marginal decrease of around 4% from last year. Sub-affiliation was up from last year, but the increase decline in affiliation marketing. Sub-affiliation represents approximately 45% of total revenues in Q2 and increased with 30% from last year. We did, however, see a sequential decrease from Q1 of this year, which as Johan, operational limitations for specifically our network publishers, but we expect these revenues to pick up through H2. Affiliation marketing decreased from last year, driven primarily by a weaker result from the Casumba assets, as we highlighted already in Q1. We have seen a stabilization of performance, but they are at the lower levels compared to last year and previous quarter. Sweden saw a modest decline, and our other larger assets in other markets show stable to positive performance.

**Måns Svalborn**

CFO | Raketech

Worth highlighting again, was the positive effects of our high traffic sport assets, driven by a dedicated push for these assets, but also the UEFA Euro and IPL. On the right-hand side, and a quick note on our revenue mix for revenue share, CPA, and flat fees, the development large overall revenue development. For clarity, I will mention that sub-affiliation is dominantly CPA-driven and is the main reason for any variations between quarters. We are, however, seeing an increasing amount of rev share within sub-affiliation, which is positive to see. As for the regional split and starting with the Nordics, as I mentioned on the previous slide, Sweden saw a modest decline in Q2 versus Q1 of this year. It's to some extent performance-related, but also through increased competition. Importantly, Q2 reflects a seasonally low quarter, and specifically for the Nordics.

**Måns Svalborn**

CFO | Raketech

Other regions in the Nordics are stable to growing. Similar to previous quarters, the main variations within Rest of World relates to Casumba and sub-affiliation. The decrease compared to last year is a reflection of the lower performance in Casumba. US saw a slight increase from last year, positively impacted by the launch of the sub-affiliation in the U.S., but also positive effects from affiliation revenues on our tipster assets, as well as increased revenues from our online digital subscription platform on these assets. The vertical split on the right-hand side, I will make one point. As highlighted before, we did see improved performance from a high traffic sports sites during the quarter, an effect of the dedicated efforts, but also again, driven by increased sports activity. This positive development was, to some extent, offset by lower sport revenues within sub-affiliation compared to last year.

**Måns Svalborn**

CFO | Raketech

These variations are to be expected within sub-affiliation, as it depends on which region and vertical our publishers focuses their efforts. EBITDA amounted to EUR 4.4 million, mainly it impacted by the lower performance for Casumba compared to last year. This was somewhat positively offset by continued strong contribution to EBITDA for sub-affiliation, and with a gross profit margin within areas, this area very much in line with the last quarter at around 23%. Additionally, we see somewhat of a positive impact from the initiated cost-saving efforts we highlighted in the Q1 report. These initiatives will continue as we progress in the year. On the right-hand side, free cash flow is lower than reported EBITDA. This relates to timing effects and is expected between quarters, and it's an effect of when we settle payments to publishers within sub-affiliation, but also related to timing of settlements from operators.

**Måns Svalborn**

CFO | Raketech

We expect this to catch up during H2. As Johan mentioned, the last part of the Casumba earn-out was finalized at the end of July, meaning the final amount is now essentially fully fixed. For the next 12 months, we have upcoming earn-outs to be settled of about EUR 12 million in cash. The remaining EUR 20 million, and I mentioned this the previous quarter as well, can be settled at any point in time, up until September 2026, meaning there is a lot of financial flexibility for us. Another point to make here is that the option to settle parts of the earn-out in shares is also at our own full discretion, adding even more flexibility. In conclusion, given our current cash flow estimate for the year, our free cash flow is well above upcoming earn-out settlements. Thank you, and back to Johan.

**Måns Svalborn**

CFO | Raketech

Thank you, Måns. To conclude, affiliation marketing, I would like to emphasize our dedication to turning around the assets that lost rankings and traffic in the latest Google Core update. These assets have now stabilized, but on lower levels compared to before. During the quarter, we have proven that parts of our product portfolio, especially showed good organic growth. Even if we increase from this product, it's not on par with the larger products that lost traffic and revenue from the latest Google update. Sub-affiliation, as mentioned before, first full exclusive operator deal was signed and launched during the quarter with a brand, Swedish brand, Spelklubben. And these type of partnerships is something we will continue to expand. Betting tips and subscription.

**Måns Svalborn**

CFO | Raketech

Strategic review done, and we have now divested the non-core ATS advisory business to be able to focus and grow on our USD, where we see good potential. Outlook. Looking at July, the revenues came in at EUR 4.6 million, impacted by weak performance within sub-affiliation, which we expect to recover during the rest of the quarter. Guidance for 2024, we have now also specified, come in, in the range of EUR 17-19 million in adjusted EBITDA. Free cash flow before earn-out is estimated to come in just below EBITDA, which gives us financial flexibility to settle the current Casumba earn-out. With this work, we now 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. The next question comes from Hjalmar Ahlberg from Redeye. Please go ahead.

## Q&A

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**Hjalmar Ahlberg**

Analyst | Redeye

Thank you. Maybe first a question on the Casumba here. You say that traffic is stabilizing end of the quarter, and you're confident that you can return to growth. Do you have some kind of concrete indications or yeah, how do you feel about that?

**Johan Svensson**

CEO | Raketech

I am, we are confident that we are, we're doing the right things, and, that we practice to return to growth, but we, we can't comment on when we expect that to happen.

**Hjalmar Ahlberg**

Analyst | Redeye

Also interesting to see sub-affiliation launch here in the US. How quick do you think you can ramp up revenue, and what is the potential of this market, and can you say if there's any differences between maybe Europe and doing this in the US?

**Johan Svensson**

CEO | Raketech

Yes. Now we got a kickstart with North Carolina here in launching in March, and but U.S. is more as acquisition-driven during the and especially the U.S. football season. We expect to grow during the football season, which kicks off here in end of August, beginning of September. We do, definitely.

**Hjalmar Ahlberg**

Analyst | Redeye

And you mentioned North Carolina, how, I mean, does it take a lot of time to enter a new state, or you think you could be able to add more states, quickly, or will that, will that come, gradually?

**Johan Svensson**

CEO | Raketech

Now, we in our current offering, we, yeah, we have more states already on top of North Carolina.

**Hjalmar Ahlberg**

Analyst | Redeye

All right. Regarding the Euro 2024, can you give some flavor on, I mean, did you see the big kind of positive impact from that in June and less impact in July, maybe?

**Johan Svensson**

CEO | Raketech

Yeah, we saw a good traffic increase in games played in June than July. But overall it was yeah, positive traffic trend, and we had good sales support related to the event.

**Hjalmar Ahlberg**

Analyst | Redeye

And you mentioned for sub-affiliation that some operators saw operational challenges. Can you comment anything more on that, and do you expect that to, I mean, improve in the coming quarters?

**Johan Svensson**

CEO | Raketech

We've seen it before that our publishers have had operational challenges, especially on the Raketech Network side, paid traffic. We've seen it. We have had a fantastic year for Raketech Network and some affiliation with high growth. And now, when they have these challenges, it has a larger impact on the top line. But we've seen it before, and we've seen that they've been recovering before as well.

**Hjalmar Ahlberg**

Analyst | Redeye

Regarding your guidance here and the revenue you gave for July, can you give some flavor on kind of the ramp-up? I mean, I guess you said that you expect to recover some upside for the rest of Q3, but then I guess, I mean, Q4 will kind of be the seasonal strong quarter, if you can give any additional flavor on that.



**Johan Svensson**  
CEO | Raketech

Yeah. We came in on EUR 9.4 million in adjusted EBITDA for first six months, and we expect to land between EUR 17 million and EUR 19 million in adjusted EBITDA for the rest of the year. And as you said, Q4 is historically a strong quarter for us.



**Hjalmar Ahlberg**  
Analyst | Redeye

Okay, thank you. That was all the question for me.



**Johan Svensson**  
CEO | Raketech

Thank you, Hjalmar.



**Operator**

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



**Rikard Engberg**  
Analyst | Carnegie Investment Bank

Morning, guys.



**Johan Svensson**  
CEO | Raketech

Morning.



**Måns Svalborn**  
CFO | Raketech

Morning.



**Rikard Engberg**  
Analyst | Carnegie Investment Bank

I have a question regarding the development of gross margin in the quarter. We saw a strong Q1 given gross margin and now in Q2 as well. Have you received a higher gross margin on the sub-affiliation in this quarter than usually?



**Johan Svensson**  
CEO | Raketech

Yeah, the levels this quarter were similar to Q1 as well, and I think we indicated in Q1 that it was on the higher end, and then we managed to maintain that in Q2. To some extent, it relates a little bit on the relative share of revshare within sub-affiliation. Particularly for revshare, we can see some variation. We don't really necessarily have a target for the gross margin within sub-affiliation. The most important point for us is to try to grow profitability within that area. It does depend on revshare, as I pointed out, so we might see variations as we go along, but it's not a target sort of gross margin we have to keep it at this level.



**Rikard Engberg**  
Analyst | Carnegie Investment Bank

Ah, okay. So is it possible to say that the Q1 and Q2 numbers were quite high even for gross margin, compared to historical, historical numbers?



**Johan Svensson**  
CEO | Raketech

Compared to historical numbers, they are at the higher end, yes.



**Rikard Engberg**  
Analyst | Carnegie Investment Bank

Okay, good. That was all for me.



**Johan Svensson**  
CEO | Raketech

Thank you, Rikard.



**Operator**

There are no more questions at this time, so I hand the conference back to the speakers for any written questions or closing comments.



**Johan Svensson**

CEO | Raketech

Good. Let's go to the written questions. And I think you can start, Måns, with...



**Måns Svalborn**

CFO | Raketech

Yes. So we have a question around the guidance. I think we covered that to the most extent from Hjalmar's question. I don't know if you want to add something additional to that one, Johan.



**Johan Svensson**

CEO | Raketech

No, nothing more to add.



**Måns Svalborn**

CFO | Raketech

Then there's a couple of questions on the approved share buyback, and when and how this will be executed, and this is obviously a decision by the board, so we can't really comment on this at this point. There's another question, if it's possible to repurchase own stocks over the market and use this repurchase stock as payment for the Casumba earn-out, and this is possible, but again, it's a decision if and when, that's an alternative for the board.



**Johan Svensson**

CEO | Raketech

Yeah. It's one, also one question about on what basis do you in sub-affiliation. Just like to highlight here that we have still very strong relations with these publishers who have had operational challenges during July here. So, and yeah, historically, we've seen them recovering, so, but we base it on that.



**Måns Svalborn**

CFO | Raketech

Yeah. And then there's a question around the decision that we did actually issue just under 1 million new shares to pay part of their earn-out now in July for the Casumba earn-out. And this made financial sense to do it now, given the current share price development. So this was a good opportunity the board and management felt at this point in time, so that was the reason for that. Yeah, and I think that was actually all of the written questions.



**Johan Svensson**

CEO | Raketech

Yeah, with this word, thank you for listening in, and we see you again in November. Thank you.