

November 21, 2019

Raketech

Q3 2019



Speakers



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CFO | Raketech



Christian Hellman
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Michael Holmberg
CEO | Raketech



Operator

Prepared Remarks

**Michael Holmberg**

CEO | Raketech

Thank you, operator. Good morning, everyone. Welcome to this presentation of Raketech Q3 2019 report. My name is Michael Holmberg, and I'm the CEO of Raketech. In the room with me is also our CFO, Andreas Kovacs. We look forward to taking you through the presentation. Let's move to the next slide, please. Look at the agenda. As we normally do, we will start with a short introduction to Raketech. Then go directly to a review of the quarter. Andreas will take you through the financials. Then we will conclude with an update on our geo expansion strategy, what we do within sustainability, the key takeaways before handing over for questions. Let's move on to the next slide. If you are not new to Raketech, you've seen this slide before. Let's focus on some key facts.

**Michael Holmberg**

CEO | Raketech

First off, the Nordic region is our core market, but as we will tell you more about later in the presentation, we are now accelerating our global expansion, and for the first time, 10% of our revenue come from markets outside of the Nordics. This is a milestone for us. In this context, I also want to clarify our Swedish share. I sometimes meet investors that think we are all about Sweden. That's not the case. 64% of the revenue in the quarter came from gaming in Sweden. Raketech is a product company, and we focus on creating innovative products with high quality. We're currently building new products at a higher pace than ever before in several markets. As a guiding principle, we also aim that all our products shall have a global potential.

**Michael Holmberg**

CEO | Raketech

Working with products, we have about 90 employees, most of them based in Malta, I also see that we will have more people working in other markets going forward as we continue to grow on our global presence. Lastly, we have a proven M&A track record, I'll continue to explore acquisition opportunities going forward. We do, however, not make acquisitions just for the sake of it. We're highly selective and see companies that clearly complement our business strategy. Next slide, please. The purpose of Raketech's business is simple: We match consumer needs with the right company. Our main focus is sports and gambling, we have products for other needs, too, we have advertisers from a plethora of industries and services. I want to clarify the business model. Here's how it works, here's an example.

**Michael Holmberg**

CEO | Raketech

Consumer is interested in finding out more about the Time Magazine Person of the Year. This award is an annual issue of the United States news magazine, Time, that features and profiles a person, a group, an idea, or an object that, for better or for worse, has done the most to influence events of the year. Big mainstream event right now in the world, as most people do, the consumer googles it, and this is where we come into the picture. In this example, our product, BetPal.com, which is a global product, provides an interesting article about the topic. In addition, the topic is also open for betting in our example here with Betway. The consumer clicks on the link and wagers for, say, Greta Thunberg or for Donald Trump.

**Michael Holmberg**

CEO | Raketech

We have guided the consumer to become a customer with Betway pays us a commission. The writers and editors that work for Raketech products, they invest time into producing articles for relevant events. In most cases, about sports and gambling. In this case, also, a broader annual event that gathers millions of people's interest and an event you can place a bet on the outcome of. When we do this well, producing quality articles and relevant topics, we generate interest from the public that generates revenue for our partners, the betting companies, and in the end, then, for Raketech. Let's move to the quarter review on slide number 7.

**Michael Holmberg**

CEO | Raketech

Quarterly financial highlights, and let me start by stating that I would have wanted to report positive growth compared to last year, and therefore, I'm not satisfied with the outcome in the quarter. However, despite the negative growth numbers compared to Q3, 2018, we do have a positive underlying growth trend comparing to earlier this year. I'm pleased with the traffic numbers and that the underlying NBC development is in line with last year, despite the Swedish regulation. Compared to the second quarter, NBC growth is 7%, which gives the comfort. The revenue decrease compared to last year is due to the Swedish regulation and lower revenues coming from Pay N Play casinos. In hindsight, we have concluded that last year was exceptional in this regard. We also had about 2% negative currency effect.

**Michael Holmberg**

CEO | Raketech

What is positive also in this case is that revenue is up about 5% compared to Q2, indicating that the Swedish market's downturn has leveled out. Adjusted EBITDA amounted to EUR 2.7 million, corresponding to a margin of 46%. The decrease is explained by our investment from geo expansion, but also a consequence of strong performance for our media products, which have a lower margin than the rest of the product mix. Last year, about 20% of our revenue were from regulated markets. With Sweden now regulated, the number is around 60%. In relation to our profitability and underlying growth, I believe this shows our capability to manage new market conditions pretty well. It also gives us confidence to grow in the non-regulated markets, and it is likely that the non-regulated revenue number might increase over time.

**Michael Holmberg**

CEO | Raketech

The strongest area in this quarter is the cash flow, where we can report a strong increase compared to last year. We will continue to focus on improving cash flows and going forward. Andreas will dig deeper into the numbers later in the presentation. Let's move to the next slide and the business update. I've already mentioned that the Swedish market has leveled out based on the fact that NDC is growing quarter on quarter. The market is at the same time, still challenging, and according to various stakeholders in the industry, among them, several of the larger licensed operators, channelization is not where it should be. We can confirm that search patterns indicate increasing trends on, for instance, casino without the license, if you compare Q3 to Q1, 2019.

**Michael Holmberg**

CEO | Raketech

From Raketech side, we only work with regulated operators in Sweden. I believe we have very strong relationships in the market. Many of our efforts right now are in the global expansion strategy. In the quarter, we have acquired the Casumba Media, which I will talk about on the next slide. We've also adapted the management team to cope with the expansion. Investments have a somewhat negative effect on margins, but are necessary to reach the global position that we are aiming for. In the quarter, our guide products have exhibited strong growth. For the first time, we have a revenue contribution from Germany. Based on our strategy, we have further developed our paid media strategy from our Finnish asset market, in the German equivalent with promising results. This proves our capability to take winning concepts from one market and replicate in new markets.

**Michael Holmberg**

CEO | Raketech

Next slide, please. Casumba Media acquisition in Japan. Why are we going to Japan? The population is 13 times the Swedish. It's a market that doesn't have 20 years of online gaming operators and marketing, targeting the market as we have in Sweden. The appetite for online gambling is just about to take off. Offline gambling is very big, but not yet online. Reports say the local offline game, Pachinko, has an annual turnover that is 30 times higher than the turnover of Las Vegas, and twice the annual combined Japanese car export. Take into consideration that Japanese people like to do their homework before they sign up for online services. They Google, they read, they want to understand. With that said, there is an important role for affiliates to educate players. This means also an entry barrier for other affiliates.

**Michael Holmberg**

CEO | Raketech

You need to be local, you need to deliver quality, you need to understand the culture. That indicates a high relevancy for what we do in that market. We are local. We guide consumers to the best products online. That's our vision. When Japanese people make their call, statistics show that they are loyal. That indicates good lifetime value for players. There are no land-based casinos in the country today. They will open up soon, and this will, in our view, trigger legitimacy and an enthusiasm about online gaming. It's also clear that some of our partners show an interest in the Japanese market. The acquisition of Casumba Media gives Raketech an immediate footprint in the Japanese market and marks our first presence in Asia, in line with our strategy to build businesses in at least three continents.

**Michael Holmberg**

CEO | Raketech

The integration is progressing according to plan, and the entrepreneurs have been brought on board in the Raketech family with the ambition to build long-term organic growth from the Japanese market, and potentially from other Asian markets, too. Next slide, please. Since we have some updates on our management team, I would like to take a minute to take you through how we are scaling the management team to create more bandwidth to drive our growth journey. Måns Svalborn will join us, new CFO, who's currently working beside Andreas and will start a new role on the first of December. At the same time, Andreas will enter the role of Director of Business Development and focus fully on geographical expansion, including M&A, but also continue to focus on investor relations. You'll be seeing Andreas also in the future.

**Michael Holmberg**

CEO | Raketech

Johan Svensson has decided to step down from his operational role as CCO and focus fully on expansion on a strategic level as founder and from his board position. This will include a big focus on the US with a strategy for Raketech in that market. We will talk more about the US when we have more information to share. Where we stand today, we believe that we will have a role to fill in the market. In connection with this, we have also recruited a new CMO, Carl Wiberg, who joins us from Catena Media. All in all, management and the organization is now set and ready to conquer the world. I've highlighted some of management's previous relevant employers from within and outside of the industry.

**Michael Holmberg**

CEO | Raketech

Together, the management team has more than 50 years of experience from gaming, primarily from the operator side, but also from B2B. I'll now hand over to Andreas for the financial run-through.

**Andreas Kovacs**

CFO | Raketech

Thank you very much, Michael. Let's jump direct to the slide number 12 to look at the financials. We are satisfied to be able to report a revenue increase quarter-on-quarter. The 5% increase versus the second quarter is driven by the strong underlying traffic growth, driven by the increased amount of NDCs, which grew by 7%. We are not satisfied with the decline revenue in the third quarter versus the same period last year. This has declined by 15%. The decline is mainly explained by the lower value per player, as the amount of NDCs is in line with the same period last year. The decline value, when comparing year-on-year, is mainly driven by the tax effect in Sweden, but also the negative impact of the Forex.

**Andreas Kovacs**

CFO | Raketech

A lot of our peers have reported a positive effect from the weaker Swedish krona versus the euro, but for us, it's, it is the opposite. As Sweden is our largest market, majority of our players play in SEK, but we get paid from our customers, the operators in Europe, affecting us negatively. The increased RevShare portion have a negative effect in the short term, but will have a positive effect during the upcoming year. With that said, let us look forward into our revenue split and look at the next slide, please. Our revenue split continued to move towards RevShare, During the third quarter, 56% of our revenues related to recurring revenue in form of RevShare, representing an increase by 11% compared to last quarter and 7% compared to last year.

**Andreas Kovacs**

CFO | Raketech

As mentioned before, it results in a certain delay in the revenue effect, but shall have the same similar effect over a longer time. If you look at the flat fees, it's amounts to 12% of total revenues in Q3. The decline is primarily explained by the operators' appetite towards the pure performance-based marketing, driving the RevShare portion rather than flat fees and CPA. That's the trend also that we have seen on the Swedish market, which we have mentioned earlier. The casino vertical is still dominating our revenue split and amounts to 67.3%. However, in line with our sports media platform is growing in form of TVSportGuide, we have also increased our sports revenues. The increased sports revenues compared to last year amounts to 11% and is in line with the Q2 results.

**Andreas Kovacs**

CFO | Raketech

Let's look into the next slide, please. What's happening with our EBITDA margin? Our EBITDA margin declined to 45.5%, this is primarily explained by three things. One, is the accelerated investment in our platforms to deliver on our global strategy. Two, the channelization of paid media to our products outside of the Nordics. Three, a smaller effect also from our in-house casino brand, Rapidi. As both paid media and Rapidi initiatives have certain lower margins. We aim to be a global company in line with our strategy of diversification, for that, we need to invest, this leads to lower margins during this investment phase.

**Andreas Kovacs**

CFO | Raketech

We are, for the first time, as a company, reporting an EBITDA margin below 50%. At the same time, we are also report for the first time, 10% of our revenues outside of the Nordics. This journey has only begun, as Michael mentioned. Direct costs, if you look at in absolute numbers, amounts to EUR 0.8 million, representing an increase by 3.2% revenues. This is primarily explained by our intensified paid media strategy, as mentioned, post driven by the TVmatchen acquisition, where we, with the help of the acquired technology, are able to channelize traffic in a successful way, with a certain lower margins throughout our assets. We are mainly use this capacity to market our channels outside the Nordics.

**Andreas Kovacs**

CFO | Raketech

If you look at the total employee costs, these are in line with last quarter. This leads to a positive development in relation to revenue by 1.3%, explained by the higher revenue levels in Q3 versus Q2. Other operating expenses increased in relation to revenue by 3.9%. This is driven by the investment in our product portfolio, mainly outside of Sweden. Next slide, please. Net profit for the quarter amounted to EUR 1.2 million. The main cost item between EBITDA and net profits relates to depreciation and amortization, which amounted to EUR 1.2 million for the quarter. The increased amortization in the quarter is mainly driven by the recently acquired assets from Casumba Media Ltd. Also, that we get the full effect of the TVmatchen acquisition.

**Andreas Kovacs**

CFO | Raketech

Please keep in mind that the only cash item below EBITDA refers to interest expenses, which amounts to EUR 56,000. Other cost items, such as financial costs and tax expenses, does not have any cash effect for us in the midterm. The financial costs relate primarily to the unwinding of the capitalized transaction cost and the unwinding of the discounted factor related to the earn outs. The tax expenses recognized this year will be set off against our previous tax shield. Let's look into the next slide, please. If you look at our balance sheet, the total assets amounted to EUR 80.3 million as of 30 of September 2019. The asset base consists mainly of intangible assets relating to our asset portfolio.

**Andreas Kovacs**

CFO | Raketech

Other assets relate to other receivables of EUR 4 million and cash and cash equivalents amounting to EUR 3.6 million as of 3rd of September. Our equity amounted to EUR 64.5 million, and the amount committed to acquisition of EUR 8.8 million relates to the earn-outs. This is increased by EUR 3.4 million during the quarter in relation to the acquisition of Casumba Media. Out of the total amount committed from acquisition, EUR 3.3 million relate to the current portion of the earn-outs in line with management's best estimate. Let's look into the next slide, please. We are happy to present the strong cash flow for the quarter. This is driven by a positive effect from trade receivables.

**Andreas Kovacs**

CFO | Raketech

We reach a great cash conversion of 1.2x EBITDA from our operational cash. We reach an operational cash flow of EUR 3.2 million. The cash flow investing activities amounted to EUR 3.1 million, of which EUR 2 million relate to the acquisition of the Casumba Media. The rest of the cash outflow relate to the earn-out payments during the quarter and small investments in domains. We have continued to purchase our own shares during the quarter, and we acquired 157,000 EUR. During yesterday evening, the board of directors have communicated to pause the purchase until further notice, even that we are in a phase where we see growth potential to acquisition on the investments, creating further shareholder value.

**Andreas Kovacs**

CFO | Raketech

Paid interest for a quarter amounted to EUR 79,000 and relates the interest expenses related to revolving facility. Let's jump into the next slide, and we try to recap where we are in 2019. If you take the recap 2019 versus 2018, we can see that we deliver a strong NDC growth of 76.4%, but with lower values due to the effects from the Swedish regulation. We have also been able to deliver a strong EPS and cash flow growth during the year. That has been driven by the improved financing post IPO. We have also followed our strategy, where we continue to work towards a global footprint. In line with that, we are willing to take further investments affecting our EBITDA.

**Andreas Kovacs**

CFO | Raketech

This will bring long-term shareholder value, maximizing our earnings per share over time. With that, I leave over the word to you, Michael.

**Michael Holmberg**

CEO | Raketech

Thank you, Andreas. Let's go to slide 20 and elaborate on our geographical expansion strategy. If you greatly simplify it, our focus is iGaming. We will be a global player and we're 100% digital. Why? Firstly, iGaming is where we come from and what we master. Secondly, only 11% of the global gaming revenue is online today. Sweden and some other markets, primarily where we are strong today, is around 50% or even higher. These are also the markets with the highest competition in the world, where we are running a very profitable business. The transition is now in the next 5-10 years, the global picture will be completely different. Our drive is to be in 3 continents.

**Michael Holmberg**

CEO | Raketech

Each continent shall deliver at least 10% of our revenue. No market shall long term be larger than 20% of our total business. Take this in combination with that we are debt-free, we have loads of M&A experience, we have scaled the organization and an ambitious growth strategy to become a global player. You get a really interesting investment case. Just to give a handful of markets that are of special interest to us, I can mention markets where we are today, such as to continue to build in Japan and Germany. Also markets where regulation or marketing conditions are changing. For instance, Italy, Spain, and North America. We believe we have services and products that can add value also here. They deserve some special attention. Let's move to the next slide.

**Michael Holmberg**

CEO | Raketech

I wanted to take the opportunity to repeat our focus on being a sustainable affiliate company. We have put a lot of work into our view on responsibility, how we do business, and we're working closely with our customers on compliance issues. We encourage responsible gambling. We were among the first in our industry to publish a responsibility statement, underlining both dos and don'ts, and we are one of a few with an internal whistleblower function. I think this is all very important as a competitive advantage, which enable us to continue to be a desired partner for the operators, and also increase their focus on responsible gaming continuously. If you don't play by the rules, the operators will choose someone else, basically. Next slide, please. Last slide before we open up for questions. What are the key takeaways from the presentation?

**Michael Holmberg**

CEO | Raketech

As stated in the CEO comments in the Q3 report, I'm not satisfied with the performance in the quarter as such. One should expect more from Raketech. In 2020, we have a very ambitious agenda, and Q4 is a busy period for us, and we're preparing for that. I'd like to say that Sweden has leveled out, and we think we have managed the new conditions quite well. With a good underlying NDC growth, started strengthening the view of a more stable Swedish market. We continue to focus on geo expansion, and for the first time, 10% of revenue come from outside of the Nordics region. We have also made management changes to fully be able to grasp the global opportunities that we see. 2019 had no major sports events.

**Michael Holmberg**

CEO | Raketech

Next year, we believe both Sweden will continue to stabilize, and we also have the European Championship to look forward to. Thankfully, Denmark, Finland, and Sweden have already qualified, and hopefully Norway will, too. That is interesting and also drives activity in business. We're not summarizing 2019 quite yet, but we are more than halfway into Q4. Looking back on the first three quarters that we report on now, it's been a year very much focusing on the newly regulated Swedish market and gearing up to deliver on our global strategy. In 2020, you should expect more growth to come from the global market space. I am confident not only about next year, but also in the long term, that Raketech will be able to deliver on its very ambitious strategy. Let's move to questions, please.

Q&A

**Operator**

Thank you. Ladies and gentlemen, if you wish to ask a question, please dial 01 on your telephone keypads 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. Once again, that's 01 to ask a question, or 02 if you need to cancel. Our first question comes from the line of Christian Hellman of Nordea. Please go ahead. Your line is open.

**Christian Hellman**

Equity Research Analyst | Nordea

Hi, guys, thanks. Just a question, starting at the top, on the revenue line. You did grow, obviously, year-over-year you were down, but you're growing sequentially now versus Q2. Can you speak a bit more about that on what are the drivers for you growing versus Q2? I guess there's some seasonality in that, but apart from seasonality, what is going on in the different markets where you are active? Also perhaps there's an acquisition effect. Again, please speak a bit more about this growth that you're seeing now versus Q2.

**Michael Holmberg**

CEO | Raketech

Sure. Good morning, Christian. I'd like to just quickly look into what we were comparing with last year before we talk on the quarter-over-quarter. As mentioned, 2018 was an exceptional year with somewhat of a perfect storm in our markets, with everybody gearing up for the regulation and the vast amount of new casinos being launched last year, with the kind of technology on Pay N Play casinos that overwhelmed the market, and that was a main driver of a super strong Q3 last year.

**Michael Holmberg**

CEO | Raketech

Looking at the drivers for the quarter-on-quarter increase, we see that it's across the board, solid work on our products, and they are ranking well, and they are delivering good quality and volume on NDCs as we see. Markets that are picking up are Germany then, where we have now explored more how to work on our TV guide and the paid media strategy for the German market, which is something that we will continue to focus a lot on moving forward as well. Obviously, we have positive effects from the acquisition of Casumba Media, which is in line with our roadmap and pipeline and expectations for that acquisitions. I think that summarizes.

**Michael Holmberg**

CEO | Raketech

We've had the Google update during the quarter, which for some of our products have been good, and for others, they've taken a hit, and that's the game we are in for those kind of products. Overall, we're very focused on those products, also across the board, to stay on delivering good quality and beating the competition, basically.

**Christian Hellman**

Equity Research Analyst | Nordea

Just on the comments that you have in the outlook section in your report, you mentioned that the activity and investment levels so far during this quarter have been on par with Q3. How should we view that? I was sort of under the impression that Q4 is also from a seasonal perspective, is normally stronger than a Q3. Is that not correct, or, how should we think about Q4?

**Michael Holmberg**

CEO | Raketech

Christian. Normally what we have guided on seasonality is more or less the second half is stronger than the first half. What normally used to be that December is better normally than other 2 months during the last quarter. If you look at, I mean, this is what we are guiding on what Michael also include in the CEO comments, which you mentioned. I think what is important to be aware us that this whole strategy of being a global company, when we are now really accelerating to build our product portfolio outside the Nordics, this is not something that comes overnight.

**Michael Holmberg**
CEO | Raketech

This together with the RevShare portion, which is a bit more volatile, it's a bit harder to also guide when the effect will come. With that said, it's more or less, we can see that all in all, we are guiding on the similar levels that in Q3. Normally what we are doing is we are looking in a longer perspective, where it's really important for us to take the global footprint outside of Nordics. We are really committed to invest in that because we believe it in the long term, it will give and contribute to a long-term shareholder value.

**Christian Hellman**
Equity Research Analyst | Nordea

Okay, I see. Thanks. Then just my final question on North America. You are, you also, one of the founders of the group is going to focus on North America. You're also terminating your buyback program because you see some M&A opportunities and better organic opportunities as well to spend the capital on that. Those two factors combined, what can we expect for Raketech in terms of North America going forward? Is it possible that you might do an acquisition in that region over the next, say, 12 months or so?

**Michael Holmberg**
CEO | Raketech

Let us take a look at where we are on the U.S. Historically, we've guided on that we have global products, that means also U.S. traffic. We will be working with regulated operators in the U.S., which means that we haven't capitalized on the market yet, although we have traffic. We are looking at building more products on the global level, including then the U.S. With Johan focusing on the U.S. from here on primarily, that means that there will be an agenda for Raketech in that market. At this point, we're holding a license, CPA license in New Jersey. We will come back more on details with how we are planning for this to play out, so to speak.

**Michael Holmberg**
CEO | Raketech

Companies giving resources focus on the market, and that will also then include an M&A focus where we are looking at companies today, and as we are in many markets. We are active then both on the organic side and on the M&A side, and that's what should be expected going forward. How that will materialize, we will come back to, and we don't talk about revenue for the U.S. at this time.

**Christian Hellman**
Equity Research Analyst | Nordea

Okay, great. Thanks. Just final question, the primary focus markets for you outside of Europe, could that sort of be summarized to the U.S. and Japan? I understand that you are also active in some other markets, if you look at sort of a high level, the markets that really could become big over the next three to five years, would that be Japan and U.S., outside of Europe, that is?

**Michael Holmberg**
CEO | Raketech

Continued focus on Japan, and potentially other markets in Asia as well. We have also an interest for some of the larger regulated markets in Europe. We are as a company, then also reviewing, okay, how can we grow in gray markets, which is historically where we're coming from. Our home countries here in the Nordics have been, so to some extent, dark gray, and we're doing well here. This, these are products that we will be working in on the global market space as well. Then you have also the appetite for regulated markets, and where you see when in the market, TV commercials and similar become limited or even a ban, that opens up for new opportunities as well.

**Michael Holmberg**
CEO | Raketech

This is something that we have an interest for as a company. Normally also what you see is in close dialogue with the operators, where do they want to grow? Something they are looking at to establish themselves in markets are payment solutions. If there is an infrastructure for payments for the operators, then they can do business. Here you can also note that there is a higher interest for Latin, South America at this point, which is also something that we will be looking into or are looking into. In combination with the market, that's Canada, highly relevant to many of our partners as well. We have a focus on that market as well. That's a bit of a brief summary.

**Christian Hellman**
Equity Research Analyst | Nordea

Okay, great. Thanks. That was it for me. Thank you.

**Operator**

Thank you. Our next question comes from the line of Mathias Lundberg of SEB. Please go ahead, your line is open.

**Mathias Lundberg**

Equity Research Analyst | SEB

Thank you. Good morning. I have two questions, one regarding the revenue outlook and one regarding costs. First, could you just, going back to the revenue outlook for Q4, when you say activity has been on the same level as in Q3, or on par with the Q3, do you mean that pace, overall pace, or that actual revenue KPIs are the same, in, so far in Q4 as in Q3? Just, if you could give some more color on that.

**Michael Holmberg**

CEO | Raketech

I mean, generally not. We are not really exactly giving out the information, how it looks like currently. It's more or less indication with Michael put in the CEO comment is more or less that when we say activity, is more or less the level of what we see in NDC traffic. It's more or less on those type of KPIs. You know, our also our RevShare portion is growing. A lot that we have seen, it's also a bit harder to start to guide in the beginning of the quarter where everything is growing.

**Michael Holmberg**

CEO | Raketech

With that said, it's more referring to this underlying traffic KPIs, which we are actually following on a day-to-day basis, and we feel comfortable that we have a healthy and sustainable business line.

**Mathias Lundberg**

Equity Research Analyst | SEB

Okay, thanks. Secondly, comparing the results versus my estimate, the main deviation was mainly on costs. Could you just briefly go through what the major cost drivers were in the line item, direct cost and other operating expenses? I'm trying to understand why, for example, the direct cost took quite a jump from Q2 to Q3.

**Michael Holmberg**

CEO | Raketech

Absolutely. If you look at the direct cost line, there you have the two outlines, which is more or less that, we are, with the TVmatchen.nu acquisition-

**Andreas Kovacs**

CFO | Raketech

... we have seen some great conversion and a great way to actually generate traffic to our products. We have primarily used it outside of the Nordics, but we have actually have a quite strong paid media strategy. This paid media strategy is driven by a lower margin. Together with that, even though Rapidi isn't significant for us now, it's more or less it's like a BI project, where we also see great synergies to getting to know how our customers are thinking. Still that, also the operator's business generally is driven by lower margins. Those are more or less the main explanations out there. If you look at the indirect costs, there you have more or less the investment in...

**Andreas Kovacs**

CFO | Raketech

What we are doing is that every, our product portfolio, we have a global strategy for our key products. Within that, and you can think about it, everything from, investing in different local consultants, investing in some kind of, could be some kind of articles, which is not just straight under direct costs. It could be a technological investment where you have to upload the sites quickly in with different solutions in other markets. There you have more or less the investment in our product portfolio for a longer term. In our industry, it's a bit hard also to, like, capitalize all this investment.

**Andreas Kovacs**

CFO | Raketech

We are quite conservative on that and taking the most of the cost directly in the P&L.

**Mathias Lundberg**

Equity Research Analyst | SEB

Great, thanks. really helpful. That was all from me. Thank you. Bye-bye.



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 coming through at this time. I'll hand back to our speakers for the closing comments.



Andreas Kovacs

CFO | Raketech

Okay. Thank you, everybody, for joining the presentation today. Again, looking back, we are like to say that we were operating a very solid business with a strong cash flow. We are now fully gearing up for 2020 and the road to become a global player for real. We look forward to talking to you again in connection with the Q4 report in February. Thank you very much.