

November 10, 2021

Raketech

Q3 2021



Speakers



Måns Svalborn
CFO | Raketech Group



Operator



Oskar Mühlbach
President and CEO | Raketech Group

Prepared Remarks

**Oskar Mühlbach**

President and CEO | Raketech Group

Good morning, everyone and thank you for joining us today. My name is Oskar Mühlbach. I'm the Group CEO, and during the next 25 minutes or so, I will, together with CFO Måns Svalborn, walk you through some of the highlights of Raketech's Q3 report for 2021. Let's start on Slide three, please. As you can see on this slide, the agenda is short, but hopefully to the point. During the first section, I'll run you through selected highlights and key figures, including some info on our latest acquisition, as announced yesterday, before Måns walks you through the financial details in the second section. As usual, we'll round things off with a quick summary. That's Section three, before we open up for questions, if there are any. Let's move to the next slide, and that would be Slide four.

**Oskar Mühlbach**

President and CEO | Raketech Group

Here are the financial highlights from the quarter. As I just said, Måns will soon walk you through the specifics, specific details. As you can see in the headline summary, we had a generally strong quarter, with revenues setting another all-time high for the Group. In absolute numbers, we reached EUR 9.6 million, and as you can see in the highlight box on the right-hand side of the slide, this corresponds to a 30% year-over-year growth, whereof most of it was organic, 26%. Furthermore, our adjusted EBITDA also took a jump and landed at EUR 4.4 million. This corresponds to a 20% increase year-over-year, which is strong considering our lower margin network revenues were showing good growth year-over-year.

**Oskar Mühlbach**

President and CEO | Raketech Group

During the quarter, our Swedish portfolio also showed good growth alongside continued strong performance from Casumba in Japan, while our network revenues were lowered slightly quarter-on-quarter due to the new legal situation in Germany. Worth mentioning is in this context that we managed to push the margin from the network up, which subsequently helped the group EBITDA margin in a positive direction. When looking at the total revenue numbers, it's important to keep in mind that we have not yet had a full quarter worth of EBITDA and revenue from recent acquisitions, simply because the transactions closed in August for Infinileads and September for QM Media respectively. Q4, on the other hand, will include the full effect from these acquisitions on revenue and EBITDA.

**Oskar Mühlbach**

President and CEO | Raketech Group

Worth keeping in mind also some of the revenue and EBITDA related to our latest acquisition targeting the U.S., as we announced yesterday, including assets such as Winners and Whiners and PickDawgz.com. The full effect from these acquisitions will however be evident in the Q numbers in full, and onwards of course. In the box in the very far right corner, you can see our earnings per share, which is showing significant growth year-over-year as well as quarter-over-quarter. This is an expected effect of increased revenues with continuously strong margins, and it shows the scalability in our business model that we've been talking so much about previously. Måns will soon elaborate a bit further on this in his part of the presentation.

**Oskar Mühlbach**

President and CEO | Raketech Group

Looking ahead, the regulations in the Netherlands is already from October having a slightly dampening effect on our network revenues as we do not work with unlicensed operators on regulated markets. This effect is not material for the Group as such, but of course it has some effect on the network business area in the short to midterm. In other news, we're looking forward to a generally busy season as Q4 typically is a strong quarter. This in combination with the Swedish COVID restrictions on online gambling being lifted soon, we have already seen an increased appetite from operators to invest in marketing for Q4. Additionally, we hope for some of the players currently resorting to unlicensed operators outside of the Swedish system to come back into the regulated environment again. Slide five, please. Now to some operational highlights.

**Oskar Mühlbach**

President and CEO | Raketech Group

Even though our Q3 acquisitions were only added mid or late in the quarter, our non-Nordic share of revenues doubled year-over-year from 20%-40%. This is, as you know, important to us from a risk mitigation perspective, but maybe more so also from a growth opportunity perspective. Our clients, the operators, are normally multinational and therefore looking for partners to help them with marketing on multiple markets, something that I'm very happy to be able to say that we offer. In the U.S., with the addition of Picks & Parlays, we now also have end user subscription revenues originating from users subscribing to content produced by the Picks & Parlays team. The content is focused on betting picks, betting strategies, and other sports insights, and during Q3, this revenue stream made up roughly 1% of the Group total.

**Oskar Mühlbach**

President and CEO | Raketech Group

This number is however expected to increase when the Picks & Parlays revenues include a full quarter as well as of course once our latest acquisition as announced yesterday is added to the numbers. With regards to commercial synergies, an important anticipated synergy was to add traditional affiliation and media revenues to the fixture subscription offering of Picks & Parlays. The logic is quite simple. The audience is a perfect match and our assumption was, and is the same for Winners and Whiners, that this would result in high conversion and strong margins thanks to incremental sales. Even though it's early days, it seems as our assumption was right as our initial trials are showing promising results.

**Oskar Mühlbach**

President and CEO | Raketech Group

With that said, we are looking forward to accelerating this further, not only on Picks & Parlays, but of course also on Winners and Whiners. In other parts of the world, we have in India, in close collaboration with the talented team behind onlinecricketbetting.net, launched social media campaigns that have shown promising results. As you can see in one of the boxes on the slide here, the first campaign reached 500,000 views within the first 48 hours, which is significantly more than we have ever seen on any other markets before, which furthermore gives you a flavor of the strength of the online cricket betting brand specifically, but also, on the interest of cricket betting in general.

**Oskar Mühlbach**

President and CEO | Raketech Group

We're so far very happy with how the integrations are progressing, but there are still more synergies to materialize, and we will therefore continue to focus on this in the upcoming quarters until we maximize whatever we can. Considering we, as late as yesterday, announced an exciting new U.S. acquisition on the same theme as Picks & Parlays, integration and synergies will be our number one priority in the short term. With that said, let's talk a little bit more about the acquisition that I'm referring to, and that's next slide, Slide six, please. As I just mentioned, the acquisition is on the same theme as Picks & Parlays. It's a portfolio of U.S. sports picks assets. The main website is winnersandwhiners.com.

**Oskar Mühlbach**

President and CEO | Raketech Group

The team and the assets have been around for many, many years, and it's an appreciated service by many American sports fans. In a nutshell, Winners and Whiners help users with specific insights on matches, teams, leagues, and assist these users with data and betting strategies, for which the user then pays a subscription fee. In the database, there are roughly 750,000 users, where 150,000 are considered to be active, which basically means that they, in one way or another, on a regular basis, subscribe to information or data. The acquired assets have roughly 6 million unique visitors per year in multiple American states and roughly 15,000 paying subscribers each month.

**Oskar Mühlbach**

President and CEO | Raketech Group

Up until today, subscription revenues has been the only revenue stream, which is exciting considering we believe that we will be able to grow incrementally by adding the full power of Raketech's commercial offering, such as affiliation and media. The fact that we now also gain access to granular insights on each individual user increases our chances of converting the user to sportsbook or casino customers significantly compared to the more traditional affiliation model, where one would normally not have access to this type of data. The acquisition totals EUR 11.3 million, plus just over EUR 2 million worth of Raketech shares with a 36-month lockup.

**Oskar Mühlbach**

President and CEO | Raketech Group

Just as before, and considering that this is a strategic acquisition requiring close cooperation, it's been very important to us to ensure that the sellers accept shares as part-payment, as a confirmation of their dedication and belief in the positive development for Raketech as a Group. Over the last 12 months, the acquired assets turned over EUR 5.5 million with a margin of roughly 35%. How we anticipate this to affect us on a group level is on the next slide. Let's go there. That will be Slide seven. On the right-hand side, you can see some of the more non-financial effects that we expect for the Group, not perhaps only from this acquisition itself, but also, perhaps summarizing the situation, taking all parameters into consideration, acquisitions as well as operational milestones that we've passed over the last two years.

**Oskar Mühlbach**

President and CEO | Raketech Group

To summarize, we are, with our scalable and efficient operational model, our tech platforms, and our well-positioned asset portfolio, now in a good position to continue or potentially accelerate organic growth over the years to come. Financially speaking, we are expecting already from Q1 and onwards to have a revenue run rate of EUR 50 million, delivering somewhere in the line of 40%-45% margin, depending on market and product mix between the quarters. Our sports share is expected to reach up to 35% and U.S. revenues up to 20%. This leaves us with roughly or only 45% Nordic revenues, which is perfectly in line with our operational goals. With regards to the EPS, we also anticipate a positive development, but as I said before, Måns will talk more about that in one of his slides, which by the way is now.

**Oskar Mühlbach**

President and CEO | Raketech Group

Over to you, Måns. Next slide, Slide nine.

**Måns Svalborn**

CFO | Raketech Group

Thank you, Oskar. Yes, let's start on Slide nine, please. Q3 is at an all-time high for revenues, and it's the third quarter of the last four quarters with record high revenues for the company. Year-on-year, we're up 30%, of which organic growth was 26%. The growth is split evenly between network sub-affiliation sale and Casumba, as well as positive growth in Sweden, our largest market. Specifically for Sweden, we are growing with the market, but we've also put more focus on a handful of assets throughout the year, which is paying off. Compared to Q2 of this year, we're up 10% and we continue to see organic growth in Sweden as well as from Casumba. Furthermore, our recent acquisitions of Infinileads and QM Media add to our revenues, although they are only partially included in the quarter.

**Måns Svalborn**

CFO | Raketech Group

Network sales, our sub-affiliation offer slowed down, as Oskar mentioned, during the period, mainly due to the changes on the German market, and it represents about 22% of total revenues in the quarter, which is a few percentage points down from Q2. One of the clear benefits of this product is that we can be quite flexible and efficient in entering but also exiting markets, and its performance has continued to perform well in the start of Q4. Next slide, please. This slide illustrates our EBITDA, cash conversion, EBIT, and earnings per share for the last few quarters. There are a few points I would like to highlight here. The first one is that our adjusted EBITDA for the quarter is up by about 30% from previous quarter and more than 50% from last year.

**Måns Svalborn**

CFO | Raketech Group

This quarter, we have adjusted our EBITDA for non-recurring costs of EUR 0.3 million for consultancy fees, and these relate to the completed acquisitions we done during the quarter. We highlighted this as well when we presented Q2. The increase in EBITDA is naturally and primarily an effect of our organic growth. We are, however, extra happy about the increase in the EBITDA margin at 46% for Q3. We have highlighted this before that we were expecting this to improve as organic growth started to take off. We have in the last two years established a stable and efficient technical and organizational infrastructure, which enables us to scale up in volume and revenues and as a consequence, reap the benefits of an improved margin.

**Måns Svalborn**

CFO | Raketech Group

The relative change between lower margin product, the sub-affiliation sales and higher margin product has also an additional positive effect. I will cover this a bit more in detail in a few slides. Another point to make, note of is that there historically is a seasonality effect in the last quarter of the year, and we are expecting to see this as well now as we enter the last few months of the year. In the middle diagram, we have our development of last 12 months EBITDA and cash conversion. One quick point to make here is that we are slightly lower on cash conversion in Q3, which almost exclusively relates to timing effects on trade receivables, and this will catch up in the upcoming quarter. We should, as we go along, be on or just below 100% in cash conversion.

**Måns Svalborn**

CFO | Raketech Group

Finally, on the far right side of the slide, we have adjusted EBIT and earnings per share, which have grown equally with EBITDA. In absolute numbers, we're up more than EUR 1 million, which represents close to 70% growth. We've highlighted this before that our EBIT has been impacted by quite high non-cash affecting linear amortizations on our intangible assets. Some of these assets have now been fully depreciated and we expect to continue positive growth in EBIT and earnings per share as we move into the next year. Next slide, please. Compared to Q3 of last year, there is an expected decline in number of MPCs. This decrease relates primarily to Sweden, and it relates to the temporary gambling restrictions that were implemented in July of last year, where one of the restrictions was to impose a deposit limit.

**Måns Svalborn**

CFO | Raketech Group

As a consequence of this, we saw a temporary boost in MPCs as players scrambled to open up several accounts, and this resulted in a large number of MPCs. Aggregated player value was essentially not affected. This effect has naturally taken off gradually from last year and has more or less stabilized during the year. In addition to this, we have as well from last year actively prioritized operators that we assess generate high value leads ahead of high converting brands with lower player value. This also means a lower MPC count, but actual higher average revenue per lead and also improved total revenue growth. Compared to Q2 of this year, we're up 23%, and this is through organic growth in primarily Sweden and Casumba, but we've also obviously added MPCs through recent acquisitions. Next slide, please. This slide illustrate our geographical, vertical, and revenue split.

**Måns Svalborn**

CFO | Raketech Group

With regards to our geographical split, we are continuing with adding and growing revenues on more and more markets. Two years ago, we set out to have significant revenues in three continents, which we now have through Europe, Asia, and North America. This will become even more evident as we enter into Q4, when the recent acquisitions come in for the full quarter, and we also add the most recent acquisition in the U.S. announced yesterday. Our share of sports revenues amounted to 16% for Q3, as we've seen good growth in casino-related revenues as well. The relative share of sports is still in the lower interval of what we were aiming for. It's however, worth pointing out that we're in absolute numbers, have seen close to 90% growth in sports-related revenue compared to Q3 of last year.

**Måns Svalborn**

CFO | Raketech Group

We are as well expecting this to increase as we enter into Q4 through our Indian sports assets, but primarily in the U.S. with an intensified sports calendar in that market. Lastly, with regards to our revenue split, we are very much in line with previous quarter, and as Oskar pointed out, we've added U.S. subscription revenues to the mix. Next slide, please. This slide illustrates our cash flow bridge Q2 versus Q3 of this year. As I pointed out earlier, our net cash from operations has grown. Investing activities relate to recent acquisition, and the cash portion was EUR 11.5 million, and the rest relate to earnouts paid out in the quarter. Finally, borrowings relate to the first utilization of the current credit facility we signed during Q3. Next slide, please.

**Måns Svalborn**

CFO | Raketech Group

This slide illustrates our margin in Q2 compared to Q3 of this year. I touched upon this earlier, but the increase in EBITDA margin is partially an effect of a slight decline in absolute terms in our SubAffiliation sales, which is lower-margin. Also its decrease in relative share of total revenues as we've seen growth in high-margin products via our current portfolio. Secondly, as we add higher-margin products from Infinileads and QM, this positively affects the margin as well. The recent acquisition in the U.S. announced yesterday is expected to operate with a margin around 35%. As also mentioned in this slide, we are, as we move forward, expecting the margin to fluctuate between 40%-45% and vary depending on how these assets develop, especially the U.S.-focused sports assets, these are more seasonally dependent.

**Måns Svalborn**

CFO | Raketech Group

Thank you. Back to Oskar and Slide 16, please.

**Oskar Mühlbach**

President and CEO | Raketech Group

All right. Thank you, Måns. Allow me to wrap things up, and let's start with the financials. Q3 revenues totaled EUR 9.6 million, and this is a new all-time high. Growth year-over-year was 30% and quarter-over-quarter, 10%. Organically, we grew 26%, where Sweden, Casumba, and our network were the main contributors, and our adjusted EBITDA came in at EUR 4.4 million, corresponding to a 46% margin. With regards to other milestones and events, I wish to highlight the integration work and the initial synergies that we've found, and I'm excited to continue this work during the quarters to come. Our non-Nordic revenue share of total doubled year-over-year, and we expect the non-Nordic share to increase even more going forward as an effect of the recent acquisitions.

**Oskar Mühlbach**

President and CEO | Raketech Group

Our sports share of total also increased this as an effect of the acquired sports revenues, of course, but also as an effect of the European championships in football earlier in the quarter and the absence of sports during the comparison period. This KPI, just like, the non-Nordic share is also expected to increase going forward once the latest acquisition is fully accounted for. Looking ahead into Q4, the first month of October amounted to EUR 3.8 million. Looking at Q4 historically, the later part of the quarter is typically stronger. With the Swedish COVID restrictions on gambling lifted and the sports season in the U.S. intensifying, we hope for a continued strong or potentially even stronger finish of the quarter. All in all, I'm happy with Q3. I'm also happy with the situation Raketech is in with regards to strategic positioning.

**Oskar Mühlbach**

President and CEO | Raketech Group

As you can see in the top right corner of the slide, we've managed to tick off basically all strategic operational deliveries that we set ourselves to do two years ago. I'm very much looking forward to seeing what we can deliver in the U.S., considering the position we now have on this exciting market also. With those words, let's move over to Q&A, and next slide.

**Operator**

Thank you. If you wish to ask a question, please dial zero one on your telephone keypads now to enter the queue. Once your name is announced, you can ask your question. If you find your question has been answered before it's your turn to speak, you can dial zero two to cancel. Once again, that's zero one to ask a question or zero two if you need to cancel. There'll be a brief pause now while we register any questions. Once again, if there are any questions, please dial zero one on your telephone keypads now. Okay. There currently seems to be no questions from the phone lines at this time.

Q&A

**Oskar Mühlbach**

President and CEO | Raketech Group

Yeah. We do actually have one question that came in through email, and that is, can you please elaborate on the lift around Swedish gambling regulations and how it will affect your business? I would say it's simply two main factors that potentially will drive the market in a positive direction. The first one obviously being the channelization. We've seen that the regulations imposed by the government two years ago has driven players outside of the regulated environment. Hopefully this will, to some extent, not happen anymore. Instead, the regulated environment and the regulated operators will take a larger share of the total market.

**Oskar Mühlbach**

President and CEO | Raketech Group

Secondly, because of this fact, the operators that are regulated, which is the ones that we work with, has a bigger appetite to invest into the Swedish market because it will probably be much more well-functioning once these restrictions are taken away. Those would be the most obvious reasons why we believe that this will have a positive effect.

**Operator**

Thank you. Once again, if there are any further questions from the phone lines, please dial zero one on your telephone keypads now. No, it seems there's still no further questions from the phones at this time.

**Oskar Mühlbach**

President and CEO | Raketech Group

All right. With that said then, thank you everyone for joining the presentation today, and we look forward to talking to you again in connection with the Q4 report in February next year.