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Raketech

Q3 2020



Speakers



Erik Lindberg
Analyst | Nordea



Måns Svalborn
CFO | Raketech



Operator



Oskar Mühlbach
CEO | Raketech

Prepared Remarks

**Oskar Mühlbach**

CEO | Raketech

Good morning and welcome. My name is Oskar Mühlbach. I'm the Group CEO. Today, I'm going to walk you through the highlights from our Q3 2020 report. To present our numbers, our Group CFO, Måns Svalborn is as always, also here. With that said, let's jump straight into the agenda. Slide three, please. The agenda hasn't changed much since last time, and as before, we will start with some key highlights and then move on to the financial details. As you might have noticed, last week, we announced an acquisition targeting the U.S., and therefore, I will, during the quarterly highlights section of today's presentation, steal a few minutes of your time to walk you through the specifics of that. Once Måns has gone through the financial details, I will summarize today key takeaways and also very quickly say a few words about the nearest future.

**Oskar Mühlbach**

CEO | Raketech

Of course, as always, there will be room for questions at the very end. We aim for the presentation to take roughly 30 minutes. Let's get started. Slide four, please. This slide highlights our most important KPIs, which you might recognize from previous presentations. Starting with the circle to your very left, our revenues for the third quarter amounted to EUR 7.4 million. This equals an annual growth rate of close to 24% and an increase since Q2, which is over 5%. A fair portion of the growth is related to the Lead Republik acquisition made earlier this year. With that said, I'm happy to be able to conclude that our organic annual growth, as shown in the second right circle, reached 3.2%, and growth quarter-over-quarter, 5.1%.

**Oskar Mühlbach**

CEO | Raketech

This is a strong delivery, especially considering that sports revenues still are on very low levels compared to pre-corona, and that the temporary re-regulations of the Swedish market has made many players leave for the unregulated alternatives. With regards to EBITDA, as shown in the second circle from your left, we reached EUR 2.9 million due to our increased investment into R&D and expansion. This is perhaps slightly higher than anticipated. On a high level, this can be explained by the fact that we have stabilized our underlying operational processes in such a way that additional revenues also in normal cases translate into increased EBITDA. As Q3 came in slightly better in terms of revenues than projected, this then subsequently translates very nicely into EBITDA. Måns will, in his section of the presentation, run you through the details of this a little further.

**Oskar Mühlbach**

CEO | Raketech

As you can see in the far right circle, our NDC intake continued to be strong. Just as with the previous quarter, the substantial increase year-over-year is primarily relating to Lead Republik. As explained previously, values per player within this business is, however, lower than within our more traditional areas, which also explains why the 95% increase in NDCs is not directly translatable into revenues. The quarterly growth, however, is relating not only to Lead Republik, but also to the fact that the new Swedish regulations that came into place on July 2nd increased the number of active player accounts on the market.

**Oskar Mühlbach**

CEO | Raketech

At the same time, and this is important to keep in mind, the total value of the Swedish market decreased as a result of the black market taking market share, which is evident when looking at our split between CPA revenues and rev share revenues. Måns will give you more details on this matter in just a few minutes. October revenues amounted to EUR 2.6 million, which is strong. However, please bear in mind that Q4 is normally a strong casino season, so even if EUR 2.6 million in revenues is a confident start, it is in line with our own expectations. Next slide, please, and that is five. In our Q2 presentation, I explained that the current Swedish regulatory landscape is a bit tricky.

**Oskar Mühlbach**

CEO | Raketech

This is due to the fact that the Swedish government decided to impose temporary regulations with the purpose of mitigating problem gambling from increasing during the COVID-19 outbreak. Despite that, basically all organizations that were invited to give their say on the proposed new regulations pointed to the risk of lower channelization. The legislation was, as you know, passed on July 2nd of this year. Unfortunately, with the obvious side effect that many players since then have chosen to move their gambling activities to outside of the regulated and safe environment. As a matter of fact, according to numbers from Spelfriheten, which is a Swedish helpline for problem gamblers, seven out of 10 calls for help in 2020 came from individuals already self-excluded from the licensed market.



Oskar Mühlbach
CEO | Raketech

This sample data, in this case, indicates that 70% of gambling problems stem from the black market, which is the number in the circles to your right. With that said, the effect on Raketech has so far been fairly mild. The reduced total market possible to address is, of course, a challenge, in particular, as we have chosen not to work with unlicensed operators. However, the fact that many players now seek to open multiple accounts has, on the other hand, to some extent increased our revenues from CPA. First and foremost, having a performance-based pricing model and a very solid position on the Swedish market has been our strongest defense during these times.



Oskar Mühlbach
CEO | Raketech

Having a competitive offering in terms of efficient marketing is what I believe will ensure we can continue to be successful even on challenging markets such as the Swedish. With regards to sports betting, we are slowly but safely seeing a return. Most noticeable is the activity within existing databases, which has resulted in a quarterly upswing from 8% to 11% of total revenues relating to sports. With regards to traffic to our sports assets, which basically is equivalent to the user interest for our services and our content, we have during Q3 been able to see a significant uplift from the previous quarter. On some assets as much as well above 200%, as in the case of TVmatchen in Sweden, which is the number highlighted in the circle to your right.



Oskar Mühlbach
CEO | Raketech

However, traffic numbers are still not fully back to levels pre-corona, which also gives you an idea on just exactly how low activity was in the beginning of the summer. The large traffic increase quarter-over-quarter brings me comfort that revenues will return back to normal. It's just a matter of time. Slide six, please. As you might recall, I previously stated that 2020 is the year when the U.S. shifts from being a strategic target to a strategic market for Raketech. Putting pride into being a man of my words, I'm therefore a little extra excited to be able to conclude that we, starting from Q4 this year, will be able to count the U.S. as a strategic market. As you can imagine, our main focus during Q3 has been the U.S. From operations, product development, sales, and of course, also M&A.



Oskar Mühlbach
CEO | Raketech

Rest assured, we have also delivered on many other projects just as always, but our main focus has, as said, been specifically the U.S., which is also why this presentation naturally is centered to a large extent around this. With that said, many of the important pieces of the puzzle that we have been designing came into place in the third quarter. To mention a few, I want to highlight that we now are licensed to operate in seven states. Our howtobet.com asset has, as projected, delivered its first few entities, and we have launched a series of campaign sites with paid traffic as foundation, already delivering entities. As a proof of our delivery-oriented and scalable central core operations, we furthermore just recently launched tvsportguide.com, which is a full-blown American version of the in Scandinavia and other parts of Europe so popular TV Sports Guide family.



Oskar Mühlbach
CEO | Raketech

We are still in early days and are continuously experimenting to find the most efficient ways of scaling all these assets in a good way, and revenues coming from these assets are therefore, at this point, insignificant from a group revenue perspective, but please note that this is, however, according to plan. Besides all of this, we have, as you might have noticed, also acquired americangambler.com, which is perhaps the most exciting news with regards to the U.S. at this time. The groundwork was done in Q3 and beginning of Q4, with revenues to be added as from November 1st. With this move, we've managed to put Raketech on the important American iGaming map, and as I mentioned in the beginning of this presentation, I've therefore also included a few more slides about American Gambler in particular later on in this presentation.



Oskar Mühlbach
CEO | Raketech

Before we move on to American Gambler, I want to also quickly comment on another big thing that we just recently delivered, the divestment of our finance vertical. I'm a strong believer that to run a modern and complex company like Raketech, we really need to be nerds. Nerds not only in terms of being the experts in what we deliver to our customers with regards to marketing solutions, but also nerds in terms of knowing the business in which our customer, the operator, operates within. If we get this right, we will be able to find smarter and more efficient solutions to marketing than our competition that satisfies both our customers' and the users' needs. In order to be successful, I'm convinced reducing complexity to a minimum and ensuring we focus on the right things is the only way forward.



Oskar Mühlbach
CEO | Raketech

Besides reducing complexity, a positive side effect of the divesting is that we also get extra ammunition to execute on our M&A agenda, which still is highly prioritized to accelerate growth and geographical expansion, all very much in line with our already communicated strategy. Taking into account the operational cash flow and the divesting sum minus the initial purchase price, the divesting means that we are delivering a return well above two times the initial investment. Next slide, please, that will be slide seven. Now a few words about the acquisition of American Gambler. We are, as you know, constantly and continuously screening for acquisition objects, normally we have a few dialogues ongoing at all times.



Oskar Mühlbach
CEO | Raketech

It is, however, very important to us that if we decide to make a move, the deal must be long-term, it needs to tick strategic boxes, and there must be industrial logic and commercial mutual leverage to gain. The American Gambler asset is ticking most of these boxes, so please allow me to explain how and why that is. American Gambler is a sports-focused asset, which is in line with our strategy to grow within verticals outside of casino. Furthermore, it is a U.S. asset, which we have identified as a strategically important market for us, both in terms of market potential, but also in terms of ensuring we have a wide geographical footprint on at least three continents.



Oskar Mühlbach
CEO | Raketech

American Gambler is turning over approximately EUR 150,000 per month, which is volume enough to shift the U.S. from a strategic target to strategic market. The growth rate is high, in line with or above our growth goals. With regards to commercial opportunity, we believe that there are quite a few. To mention the lowest hanging fruit is of course to ensure American Gambler is integrated into our sales process. This will mean better and more deals with operators in the U.S., as well as added support to increase casino revenues, which today are insignificant. In addition to this, American Gambler is already at this point holding strong organic positions in a series of states, sometimes in states that are not yet regulated. This means in practice that as soon as a state opens up, we will be able to start generating revenue from day one.



Oskar Mühlbach
CEO | Raketech

With our extra services such as the extended audience, CRM, banner sales and much more, we believe that we can also add additional revenue simply by extending American Gambler's commercial offering. When it comes to industrial logic, it very much goes both ways. Raketech will provide platforms, infrastructure, resources, KPI reports, automated follow-ups, site audits, and more, and the team behind American Gambler will bring valuable knowledge about the American affiliation market to us, which we then will be able to monetize on in other aspects of our business. Next slide, please. Slide eight. I wouldn't normally go into this level of detail when it comes to an acquisition, but I wanted to make an exception this time as I think it is important to understand how our P&L will be affected and how we intend to encourage growth and long-term commitment.



Oskar Mühlbach
CEO | Raketech

The first two orange boxes illustrate the first two years, and during those, the seller will work as a dedicated consultant for Raketech. During the first of these two years, focus will be on maximizing the effect from all the synergies from integrating with Raketech central operations and sales, as well as ensure, of course, we roll out American Gambler to all states possible. During year two, the seller will, in cooperation with the Raketech team, build and roll out several more assets, this time targeting local states with relevant and engaging content. Our technical platforms that I've talked so often about will ensure that this is done efficiently and rapidly.



Oskar Mühlbach
CEO | Raketech

The first two years are focused on accelerating growth, and if successful, year three and four, which is illustrated by the yellow box to your right, will be focused on ensuring growth and profit stays in line with our long-term financial targets, unless there is more opportunity to accelerate growth, of course. During the growth phase, we estimate EBITDA margin to be roughly 40%, but anticipate it to increase significantly to well above or on our financial targets once the sprint is over, which for clarity means year three and onwards. Next slide, please. Slide nine. As you might have figured out, there are a few things that differs the American Gambler acquisition from others that we've made, and I want to take this opportunity to point them out. First of all, it's a fairly young asset.

**Oskar Mühlbach**

CEO | Raketech

It has experienced significant growth over the last year or so, but as with most assets targeting the U.S., revenues stem predominantly from CPA. In practice, this means that there are no rev share databases to take over, which with European assets usually is the case, and therefore normally would motivate non-performance based earn-outs. In addition, many of the synergies and growth opportunities identified by both the seller and Raketech are relating and assuming very close cooperation in order to be maximized. With all of this said, we wanted to create a structure where we acknowledge the great position the asset is in, instead of committing additional earn-outs, inflating our balance sheet and not guaranteeing growth. Instead, we wanted to create a long-term mutual beneficial agreement where we commit to investing time and resources into growing it as much as we possibly can.

**Oskar Mühlbach**

CEO | Raketech

Simply put, this means that the cost for growing American Gambler will be seen above EBITDA as an operational cost instead of below as an earn-out. In my mind, this is a much more transparent way to let everyone know how we are doing as the financial items under EBITDA sometimes can be hard to dissect, explain, and to understand. As I mentioned in the previous slide, the first two years are focused on growth, and during this time, the seller will, as a consultant fully dedicated to American Gambler, be entitled to a generous profit split with Raketech. After two years, the seller can continue to work with the asset, but to a slightly less generous profit split. The profit split will be part of the operational costs, just as I explained.

**Oskar Mühlbach**

CEO | Raketech

By doing so, we ensure long-term commitment from all parties involved at the same time as we do not inflate the balance sheet. We are furthermore not left with earn-outs commitments, which means that there will be no nasty surprises in terms of potential thresholds or money to be paid out even if the asset is not performing. By thinking long-term and also having a plan for the years after the two initial years, we can already now with certainty say that we will increase profitability from the asset year three and onwards, which normally is the other way around when having a more traditional earn-outs deal. During the first two years, we project a margin roughly about 40%, which is shown in the top right circle. The initial payment of EUR 5 million, which is shown in the second circle, is taken from our current cash.

**Oskar Mühlbach**

CEO | Raketech

Other than that, we have no financial commitments more than, of course, sharing profit from the product during growth. Speaking about financial commitments and profits, over to Måns, who will tell you all about how this is going with regards to Q3. Over to you, Måns.

**Måns Svalborn**

CFO | Raketech

Thank you, Oskar. Let's start on slide 11, please. As Oskar pointed out in the beginning, the 24% growth from 2019 relates primarily to our recent acquisition through Lead Republik. Worth pointing out again is that we did this quarter have a positive organic growth of about 3%. To mention a few positive contributors, we're happy to see that our Japanese assets have increased its revenues with about 30% from last year, but also our Swedish casino assets have been performing well and showing growth year-on-year. Comparing Q3 with Q2 of this year, we're up 5%. Sports have picked up slightly, but again, our Swedish casino assets are performing well, and we are particularly happy to see that Lead Republik increased its revenues with about 25%, with a particular positive increase in the last month of the quarter. Next slide, please.

**Måns Svalborn**

CFO | Raketech

This slide illustrates our NDC development the last three quarters. We're showing quite a substantial increase in NDCs. Worth pointing out is that the increase is essentially an effect of our acquisition of Lead Republik, at least when looking at Q1 to Q2. These are low margin NDCs, as Oskar pointed out. They don't really correlate or drive revenue to the same extent as you would see in our more traditional services. Between Q2 and Q3, Lead Republik continued to contribute with a high NDC intake. The Swedish re-regulation especially boosted NDC as active players opened more accounts as an effect of the deposit limit. Important to keep this in mind going forward when we compare NDC development with prior periods. Next slide, please. With regards to the revenue split, the re-regulation in Sweden has had an impact even here.

**Måns Svalborn**

CFO | Raketech

The increase in NDCs did naturally have a positive effect on CPA related revenues. This is evident comparing Q3 with last year, the increase is, however, not only an effect of this, but also due to the fact that Lead Republik predominantly generates CPAs. Compared to Q2 of this year, we've seen a slight decline. Q2 was, however, also a big CPA quarter as we had several new brands launched during the quarter, which normally drives CPA. The effect of the re-regulation can also be found for flat fees as we've increased performance-based fixed fees that to a larger extent are based on a predetermined performance target. From a strategic point of view, however, it's good to see that some of the growth within flat fees does also come from added services to extended audiences and VIP program that Oskar highlighted during the Q2 presentation.

**Måns Svalborn**

CFO | Raketech

These revenues are not substantial in absolute terms, but they are important in our transformation towards becoming a true performance marketing company. Revenue share has declined year-on-year and quarter-on-quarter. This is to some extent an effect of a drop in sports, at least compared to last year, but also an effect of an increase in the relative share of CPAs through Lead Republik. Additionally, as Oskar pointed out, most likely also an effect of lower channelization. Our vertical split is showing sports recovering slightly, but not back to pre-COVID-19 levels. Important to note out is that these are relative terms, and as we've added Lead Republik, which is almost exclusively casino-related, the relative sports revenues have declined in relative terms as well, as expected. Finally, revenues outside of the Nordics have increased slightly to 20% in Q3.

**Måns Svalborn**

CFO | Raketech

As you gather, we will be adding U.S. revenues to the mix, and we will ahead of Q4, evaluate how we best illustrate how our different regions develop. Next slide, please. Net profit for the quarter amounted to EUR 1.2 million. The main item between EBITDA and net profit relates to depreciation on our intangible assets. These assets consist of player databases, other intellectual property, and a technical platform, primarily related to Casumba, Fairbet, and Lead Republik. These assets are depreciated over a period of three to five years and are impacting our net profit, as illustrated in the diagram. The other items below EBITDA are minor, but worth pointing out is that the only cash-effective item relates to the interest expense. Next slide, please. As you saw in the previous slide, quite a big chunk of our costs relate to amortization of intangible assets.

**Måns Svalborn**

CFO | Raketech

As you can see in this slide, we've increased amortization year-over-year, and this relates primarily to revaluations of Casino Fairbet, but also the acquisition of Lead Republik. This is essentially why we, despite having increased our EBITDA, are still more or less in line with last year when looking at earnings and earnings per share. Important to note is that these transactions are non-cash-affecting, accounting technical to some extent, and also to some extent, objective. They aim at maintaining a good balance between a reasonable amortization schedule and a fair value in our balance sheet. This is also why we've adopted a prudent approach when it comes to capitalizing expenses relating to development or improvements in existing assets or infrastructure. Next slide, please. Total assets amounted to EUR 86 million, of which the majority relate to our intangible assets.

**Måns Svalborn**

CFO | Raketech

As we have concluded the sale of our finance vertical, this has been classified as held for sale. On our liability side, amounts committed of EUR 11.8 million consist of expected earn-outs, which primarily relate to CasinoFeber, Casumba, and Lead Republik. We have during Q3 revalued the earn-out rate to CasinoFeber as performance continues to be strong, and our estimates have as such been revised. Next slide, please. This slide illustrates our cash flow bridge Q2 versus Q3 of this year. Net cash from operations of close to EUR 3.6 million is up from EUR 3.2 million compared to previous quarter, and has increased with higher profitability, but also from a positive development in our working capital, primarily due to timing effects of trade payables. Net cash from investing activities relate to earn-out payments of EUR 1.5 million, and cash flow from financing activities relate to interest and lease payments.

**Måns Svalborn**

CFO | Raketech

We have a positive net cash flow of EUR 2 million for the standalone quarter, up from EUR 1.5 million compared to Q2 this year. The increase is driven, as I mentioned before, from higher profitability, but also due to timing effects on our liability side. Next slide, please. This slide illustrates our margin in Q3 of this year compared to last year. The EBITDA margin in Q3 of last year was 45.5% compared to 39.8% on Q3, and the bigger line item bringing the EBITDA down relates to direct costs. We have during the last year added new products and offerings, and primarily affecting the quarter compared to last year is Lead Republik. As we pointed out earlier, Lead Republik is a lower margin product, but obviously an important strategic acquisition for us. With regards to employee and other expenses, these have increased in absolute terms compared to last year.

**Måns Svalborn**

CFO | Raketech

In previous presentations, we have covered the main reason for this, but as a small reminder, it is essentially an effect of the transformational change in geographical expansion we have gone through during the last nine months. What we are happy to see during Q3, however, is that the current levels have been more or less scalable, which means that as we increased revenues, it had a relative positive effect on the EBITDA margin, as we see in the diagram. Next slide, please. This slide illustrates the margin development between Q2 to Q3 this year. In Q2, we indicated that we could see a slightly lower EBITDA margin as an effect of continued efforts in product development and geographical expansion, and this materialized to some extent and can be visible in the increase of operating expenses.

**Måns Svalborn**

CFO | Raketech

However, with higher revenues this quarter from our higher margin products, in combination with a stable level for both direct and employee costs, we came in just slightly below the Q2 margin. This proves the point we've mentioned before, that our margin is a little bit more difficult to predict as our offering has broadened during the year through a combination of higher and lower margin offerings, and our EBITDA margin will move around slightly depending on how these develop in relation to each other. Yes, thank you. Back to Oskar, and slide 21, please.

**Oskar Mühlbach**

CEO | Raketech

Thank you, Måns. That was actually the last slide of today, please allow me to wrap up with today's key takeaways. Looking at our strategic goals we have during the year and in Q3 maybe even more so, taking a few but big steps in the right direction. We are still, as you can see, to some extent slowed down with regards to expansion within sports due to COVID-19. Traffic is picking up, and American Gambler is a substantial and valuable addition, which hopefully will enable me to tick this box during 2021. Our geographical footprint is larger than ever, which is good for stability and risk. Maybe more exciting is that we now have our toes dipped into the U.S. market, a market which is projected to have many years of substantial digital gambling growth ahead.

**Oskar Mühlbach**

CEO | Raketech

In terms of flagship assets and product categories, we are also stronger than ever before. Rest assured, we don't stop here. There are still plenty of opportunities for further roll-outs and further improvements within our assets, as well as monetizing opportunities within new product areas such as the extended audience and more. Looking at the financial headline, we grew with 23.9% during the quarter, primarily thanks to acquisitions. Our organic growth was 3.2%, which is strong considering the fact that we are comparing revenues including full sports offerings with only very limited sports betting activity due to COVID-19. With that said, our sports bets are not back to pre-COVID levels as of yet, even though we have seen positive signs of traffic increasing to large degree.

**Oskar Mühlbach**

CEO | Raketech

We managed to maintain a stable EBITDA level quarter-over-quarter, despite changes in product mix and investments in product development. Our October revenues amounted to EUR 2.6 million, with a margin in line with Q3. With regards to milestones and events, our revenues from outside of the Nordics increased marginally and came in at 20% compared to 19% previous quarter. Worth pointing out in respect to this is that we last year only had 10% coming from outside of the Nordics. We furthermore acquired the American Gambler, which is a fast-growing U.S. sport asset, which we believe already by the end of Q4 will help us conclude revenues from the U.S. of 5%-10% of group total. We divested our finance vertical, which enables us to keep laser-sharp focus on what we do best, which is iGaming performance marketing.

**Oskar Mühlbach**

CEO | Raketech

At the same time as it gives us ammunition to further explore potential M&A opportunities or other growth opportunities. Our in-house built howtobet.com asset delivered its first NDCs, and we rolled out tvsportguide.com to the American audience. A look at the outlook. The second wave of COVID-19 that many countries around the world currently are experiencing will undoubtedly have impact on us and our industry, just like it has on all other industries. What we have learned from the first wave is, however, that we cannot with certainty predict exactly how things will play out. On the one hand, we have positive effects from players choosing online over offline gambling, which of course is great. On the other hand, we see sport events being canceled and potential long-term negative financial macro consequences affecting the consumer purchasing patterns.

**Oskar Mühlbach**

CEO | Raketech

On a positive note, our type of commercial offering, where we, in contrast to more traditional marketing, are performance-based, seems to be extra appealing to the customers in times of volatility and uncertainty, which means that the demand for our services is still very high. With that said, and despite the turbulence, I look forward to continuing to execute on the company strategy and deliver on milestones and goals. With most of the infrastructure, products, markets, organizations, et cetera, now in place, I think we have a really good chance of actually doing so. To repeat what I said last time, we will continue to make investments into the future.

**Oskar Mühlbach**

CEO | Raketech

This opportunity is now, and I want to make sure that we, for instance, maximize our potential in the U.S., that we continue to lower our dependency of single markets through geo expansion and continue to ensure we have broad and strong commercial offering. This means that we will continue to expect, at least in the short to midterm, EBITDA to be on current levels or occasionally even slightly lower than that. Finally, I want to highlight once again that our debt situation is very good, almost too good, actually, and I look forward to using this situation to further accelerate our growth through M&A or other investments. With those words, that was all for today. Let's see if there are any questions. Please move on to slide 22 or 23.

Q&A

**Operator**

Thank you. If you wish to ask an audio question, you may do so by pressing star one on the telephone keypad. If you wish to withdraw your question, you may do so by pressing star two to cancel. Once again dial star one on your telephone keypad if you wish to ask audio question. There will be a brief pause as we wait for questions to be registered. Our first question comes from Erik Lindberg from Nordea. Please go ahead.

**Erik Lindberg**

Analyst | Nordea

Yes. Hi, Oskar. Hi, Måns.

**Oskar Mühlbach**

CEO | Raketech

Yeah, good morning.

**Erik Lindberg**

Analyst | Nordea

Good morning. Starting off a bit on American Gambler, which looks very interesting. Can you talk a bit about sort of the organic growth opportunities that you see for this asset, and do you think that you can keep up the 30%-50% growth rate during the sort of sprint phase in the first two years? How is this website ranking in searches in the sort of most important states, would you say?

**Oskar Mühlbach**

CEO | Raketech

All right. Thank you, Erik Lindberg. That's a brilliant question. I think to start off with the first one regarding growth, it's an acquisition that is, as I mentioned in the presentation, very much focused around growth. Obviously we think that it's a great opportunity to not only continue with the 30%-50% growth rate, but potentially also by adding all of our extra ammunition in terms of extended audience and our knowledge, potentially also increase that slightly. We see great growth potential. Also from a structural perspective, the U.S. is, as you know, going through a transformation where gambling sort of moves from offline to online from a more general perspective, in combination with states opening up one after the other. I think we also would potentially have a little bit of backup from those more structural changes as well when it comes to growth.

**Erik Lindberg**

Analyst | Nordea

You got it. Regarding the question on how the website is ranking in searches, can you say anything about that? Is it a top five website in any states or something like that?

**Oskar Mühlbach**

CEO | Raketech

Yeah. For competitive reasons, I wouldn't go into exactly what the secret sauce is in terms of exactly what we rank on. I can say as much as it's sports related mostly. That's where the American Gambler has been really successful, sports related and quality content. We of course look forward to also adding our knowledge within the casino spectrum to ensure that rankings also come within that segment as we move along.

**Erik Lindberg**

Analyst | Nordea

All right, great. This guidance of 40% EBITDA margin for American Gambler, is this before or after the profit sharing with the seller?

**Oskar Mühlbach**

CEO | Raketech

That is after the profit sharing.

**Erik Lindberg**
Analyst | Nordea

Okay. Can you say anything about, should we expect that profit sharing to be 10% of the EBITDA generated, or can you say anything about how large that is?

**Oskar Mühlbach**
CEO | Raketech

Yeah, I would love to do that, but then I would also sort of reveal the commercial agreement between us and the American Gambler, which is for competitive reasons something I can't really go into the details of. I can say that the 40% margin is including profit share and operational costs relating to platforms and the infrastructure and so forth that we have deemed necessary to accelerate the growth. It's all-inclusive.

**Erik Lindberg**
Analyst | Nordea

Yeah. Great. That makes sense. Looking at your other U.S. efforts, would you say that How to Bet is the asset with the most potential here, or any other assets that you see a large potential in?

**Oskar Mühlbach**
CEO | Raketech

Yeah, we believe, of course, a lot in HowToBet. We think that it's with regards to the U.S. being a fairly new to online gambling market where many consumers seek to find information about how to bet online. We believe that that product could be a really big one in the long run. It's a long-term commitment for us. If we look at track record, we can see that the position that the TV Sports Guide, for instance, have in Europe is really strong. To my knowledge, there are no real competitors in terms of that in the U.S., that is obviously also with great potential. I would say those are the two biggest potential products that we build ourselves.

**Oskar Mühlbach**
CEO | Raketech

TV Sports Guide is maybe extra interesting as we've already proven that to be successful on other markets, so it has a proven concept.

**Erik Lindberg**
Analyst | Nordea

Yeah. Got it. Thank you. Looking at revenues from outside the Nordics, you say that you expect this to be around 25% now by the end of the year. If we look at a few years, where do you want this number to be? Is it 50% or yeah.

**Oskar Mühlbach**
CEO | Raketech

Yeah, that's a relevant question. We have as a strategic goal to not have any single market more than 20% of the group's total. If we look at U.S., we have chosen to see U.S. not as a single market, but many markets as the states are so big. I would say that with U.S. being the biggest gambling market in the world and predicted to be the biggest digital gambling market in the world, I would be surprised if the U.S. wouldn't make up a fair share of our total group revenue.

**Oskar Mühlbach**
CEO | Raketech

Exactly what levels we will land on it is hard to guide on. Obviously, with the statement that we made that we want to have a significant footprint on three continents, it is not unlikely that it would be good to have a similar sort of share from each of these continents in the long run. That would put us in a very good and stable position.

**Erik Lindberg**
Analyst | Nordea

Good. Sounds promising. You still have quite a strong position to carry out M&A here. Is it fair to assume that you wish to find more assets in the U.S. then, or are you looking at other geographies as well? Would you say that you're open to acquiring both casino and sports assets?

**Oskar Mühlbach**

CEO | Raketech

Yes and yes. We are prioritizing assets that tick as many strategic boxes as we possibly can. The U.S. is a strategic target for us, or is now actually a strategic market for us, obviously the U.S. is important. As I mentioned previously, it's also very important that whatever we acquire helps us to become better at whatever we do. It needs to have some industrial logic. It's not just acquiring for the sake of acquiring revenue. It needs to tick all of the other strategic boxes. If we can get a further better offering for our customers or a wider geographical footprint, then that could be on other continents as well that will bring value. It doesn't necessarily ring-fence the U.S. for acquisitions going forward, but obviously the U.S. is very interesting as it is a strategic market for us.

**Erik Lindberg**

Analyst | Nordea

Great. Final question from me. Sports revenues. You say that sports revenues are still below pre-COVID-19 levels in Q3. Is it possible to sort of quantify this impact, and how would you say that October is looking?

**Oskar Mühlbach**

CEO | Raketech

The sports revenues are-- I think we've said what we can say in the report with regards to sports revenues. Even though traffic numbers have picked up significantly between the quarters, we're not back to where we were pre-COVID-19. There are no reasons for us to, at this point, see that this would have any long-term impact. We look forward to everything coming back to normal.

**Erik Lindberg**

Analyst | Nordea

Okay. Yeah. Perfect. Thank you. That's all from me.

**Operator**

Thank you. Just as a quick reminder, if you wish to ask an audio question, you may do so by pressing star one on your telephone keypad. Okay, there appears to be no further questions, so I'll hand back to the speakers for any other remarks.

**Oskar Mühlbach**

CEO | Raketech

All right. Thank you. I think that was it for today. Thanks for joining the presentation. We look forward to talking to you again in connection with the Q4 report in February. Thank you very much.

**Operator**

This now concludes our conference call. Thank you all for attending. You may now disconnect your lines.

**Oskar Mühlbach**

CEO | Raketech

Thank you.