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Raketech Group Holding plc (RAKE.SE)

Q2 2019 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, welcome to the Raketech Q2 Report 2019. Today I'm pleased to present CEO, Michael Holmberg; and CFO, Andreas Kovacs. For the first part of this call, all participants will be in a listen-only mode and afterwards, there will be a question-and-answer session.

I will now hand you over to Michael Holmberg, please begin.

Michael Holmberg

Chief Executive Officer, Raketech Group Holding plc

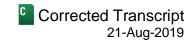
Thank you, operator. Good morning, everyone. Welcome to this presentation of Raketech's Q2 2019 report. My name is Michael Holmberg, and I'm the CEO of Raketech. In the room with me also today is our CFO, Andreas Kovacs, and we look forward to taking you through presentation.

Let's move to the next slide and take a look at the agenda. We'll start with an introduction to Raketech and then we'll direct it to the quarterly financial highlights, followed by an update on Sweden and our geo expansion. Andreas will take you through the financials and then we will conclude with an outlook and key takeaways before handing over for questions.

Let's move on to the next slide. We will be celebrating 10 years of operation in January 2020, having been an important partners to the iGaming operators for a whole decade. We have our main footprint to the Nordics and now with a big focus on geo expansion, and today, we also have revenue from, for instance, Germany, UK and Canada too. Head count is more than 90 which has been pretty stable for the past two years. Our focus is on primarily approximately 20 products which is, in general, then three to four products per key market.

We're very focused on delivering a good user experience from mobile devices and our product strategy is as you know, if you followed us, built on four categories, which are then comparison, guides, communities and social

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media. This product strategy gives us an attractive product mix to offer to the operators. Finally, as the company historically, we've been very M&A driven and also going forward M&A is part of our growth strategy.

Next slide please. So, the purpose of Raketech's business model is simple. We matched consumer needs with the right company. So like with most products, we as consumers buy today, we want to compare what's out there and make our own decision based on that. That goes for online shopping and all kinds of services. We're used to having the luxury as consumers to select from a wide variety of services and products presented to us on the Internet. We simply love [indiscernible] (02:45).

So, for Raketech, we guide consumers in sports on TV, private loans to buy a new car or any loans related to our private consumption, online casinos, and online sports betting. So, if you want to watch your favorite football team on TV, you come to TVmatchen and from there find the channel that is broadcasting the game. You go to, for instance, Viaplay and when you subscribe to that channel, we get paid. That's how our business model works.

Let's move to financial highlights. Starting with the revenues as stated in the report, revenues amounted to €5.7 million which is 6% lower in the same quarter last year. There is a combination or reasons behind this but I'm not concerned as we are still exhibiting strong profitability or just about to take the next steps in our global expansion, which I will talk more about later in the presentation. Looking at the first six months of the year, we are reporting two digits growth, which I believe is a good in current market conditions.

The main reasons for the revenue outcome in the quarter is lower player values in our largest market, Sweden, driven by the new regulation. We'll talk more about Sweden in the next slide. But I think it's important to highlight that the player values has stabilized now and they're not decreasing anymore so far in the third quarter.

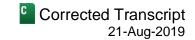
Another reason is that they had a temporary redistribution of revenue toward securing more revenue share fees and reducing the number of upfront payments compared to the first quarter. And the third reason which makes this comparison to last year quite challenging is the fact that we had the FIFA World Cup 2018, which was a significant driver as the world's most popular sports event. Last year, there was also a strong trend with Pay N Play casinos as the latest thing in iGaming. Now this has normalized.

I'm somewhat disappointed with the growth number in the quarter, but I think that most of the explanations are external factors that have been out of our hands due to unforeseen development in Sweden, as the things that actually can impact ourselves. I'm really happy with both the margin and the NDC growth.

Looking at the EBITDA margin in the quarter of 51%, which is proof of the scalability in our model and our ability to navigate in times of uncertainty. Looking at NDC which are up 21% compared to last year. This shows that our products are performing well as we continue to deliver high volumes of quality traffic to our partners. Andreas will dig deeper into the numbers later in the presentation.

Let's look at the next slide and speak about Sweden. I've already mentioned the player values and that we now believe them to have stabilized. However, the Swedish market is currently not showing growth and the operators are still adapting to the new environment. It's clear that the regulator and the other market participants have interpreted the new law differently, manifested by several penalties in the periods during the quarter. At the same time, many players are using the possibility to exclude themselves from gaming and the national self-exclusion register has 40,000 people in it now.

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I believe what's key in this situation is to look a bit further than just a quarter or two. We believe that the number of operators in the market is likely to decrease. Already now, the SGA has pulled the license of one operator and given the development in the market, some operators will likely opt to pull out themselves.

This leaves the larger operators in the market namely the monopoly operators and the large strong brands of private operators. Affiliation marketing will not diminish in importance rather the other way around. The affiliate companies that will be able to prosper are the ones that are focused on the right partners, which I believe will be the big operators. At Raketech, we have very close relationships with all the major operators and we continue to focus on them to come even closer.

Another important factor in business compliance and possibly harder marketing rules that will be applied in Sweden over time. At Raketech, we have from the very beginning focused on responsible affiliation services and will continue to do so. When the operators seek affiliation partners, they want the ones that are not only able to deliver traffic but also ensure that it's done in an ethical way. I'm confident that Raketech will continue to be an important partner for the operators in Sweden and that our strategy will serve us well in this market going forward.

Sweden is our biggest market today, but an important cornerstone of our long-term growth strategy is geographical expansion. And we're currently increasing our focus in this area. Let's move to the next slide please?

So in the CEO comments, I stated 2018 was the year of business model, proof-of-concepts in the Nordics, as well as the IPO, but 2019 is the year when we set the foundation for global expansion. Digitalization is driving the global iGaming market, and given our track record in our core markets, we will take advantage of this and become a global player.

The most important criteria in our expansion is to focus on markets that are important to our partners. Based on this selection, we then look at the specific market characteristics such as gaming competitor and compliance. Another important area that we take into consideration is the level of digital growth as this obviously will benefit our digitally focused operations.

When we had identified the market, thanks to being debt free and operation scalable, we have the option of answering either organically or by acquisitions. A good example of organic expansion is that we have previously done with our TV guide, and a more recent example is CasinoFever, which we have launched in Canada by the CasinoFever team.

Already now, we've converted our first users and we experienced good interest from the operators to continue optimizing our offering there. From a continent perspective, we eye Europe, North America and Asia and believe that we will be able to establish more operations in a foreseeable future based on our strategy.

Let's move to financials. And I now hand over to you, Andreas.

Andreas Kovacs

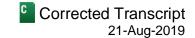
Chief Financial Officer, Raketech Group Holding plc

Thank you very much, Michael. So let's jump into slide number 10 and look at the financials. The regulation in Sweden had a continued negative effect, as you see, hitting to a revenue decline by 12% quarter-on-quarter.

However, the first six months versus last year, which was actually a revenue growth by 11%. We have also been able to deliver 32% average revenue growth during the last few years. Our revenues declined by 6% compared to



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the same period last year. And I would like to give you the reasons behind this revenue evolvement to an illustrative explanation, which gives an overview of our actual underlying performance, but also regarding the other external effects affecting us.

Let's look into the next slide, please. This is just an illustrative example of revenue evolvement year-on-year to understand the underlying performance and the cost regulation effects. As Michael mentioned, we are not happy with the revenue evolvement during the quarter, but it's also important to understand how we as a company perform and how our revenue has been affected by external factors of the Swedish regulation.

This graph, as you can see in front of you, is an illustrative example, but it gives a really good overview of what has actually happened. It focused on four key areas, which needs to be understood when relating Raketech's Q2 revenue performance. The first two KPIs are directly affected by us. The amounts of leads or players [ph] central customers (11:15) represented by amount of NDC. The amount of NDC show a strong underlying growth by 22% in Q2 2019 versus Q2 2018.

The next area focused on the revenue split, where rev share revenue increased slightly [ph] 2% (11:33) compared to last year. The increased portion of rev share revenue resulted in certain delay from new depositing players. The increased rev share have a slightly negative effect in short time, which delayed the revenues, but is also expected to have a neutral effect over long time.

If you then change and look at the external key factors that have primary been affecting the revenue evolvement, then you can see the regulation effect in the form of self-exclusion and then also the tax in gross gaming revenue. The regulation effect initially relate those players at post-regulation self-excluded. It is possible that that number of self-excluding players will decrease over time, which likely would also have a positive effect on our revenue evolvement.

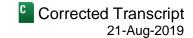
The other effect which we do not expect to evolve positively but neither negatively is the tax effect with 18% tax on gross gaming revenue in Sweden. This is partly deducted from also the affiliates. And this is also resulting in a tougher [indiscernible] (12:33) compared to last year and that's all important taking to consideration. But all in all, it's important to understand that we continue to increase demands of players and our client and also feel that we have a healthy underlying business.

Let look into the next slide, please. If you look at the revenue share split, then you can see that the rev share part in total revenue increased to 45% compared to 39% compared to last quarter. The increased rev share portion is just the logical evolvement in regulating market where it is more challenging for new operators down to the market and also bonuses become less important, leading to lower initial spending from players, but also leading to more loyal players with longer life time.

If you look at flat fees, it's amounted to 20% of our total revenue, which is 4% higher compared to last quarter. The high flat fee portion is mainly driven by the operator's appetite of exposure in the new regulating market in Sweden. However, we expect that certain flat fee deals will be converted to rev share and supporting the long-term growth in this Swedish market. CPA amounted to 35% of total revenue, which has declined by 8% compared to last quarter. The decline in CPA revenues is in line with Raketech's long-term strategy on regulated markets.

You can also see that we still have casino as our largest revenue stream amounting to 67% of revenues. However, despite the lack of the major sports events in Q2 2019, sport as a portion of total revenues increased by 7% year-on-year, mainly driven by the significant growth in the TV sports and TVmatchen channel.

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Please go to the next slide. Our EBITDA margin slightly declined, as you can see, from 54.1% to 51.1% compared to last quarter. The decline in margin was mainly driven by increased employee expenses compared to revenue. And during the quarter, we have invested in senior employments with focus on further development and further strengthened our global expansion as Michael already had mentioned.

Direct cost in relation to revenue declined by 1.8% which shows our scalable operation in mobile where we can keep down certain extended cost in relation to revenue depending on the revenue evolvement. Other operating expenses declined in relation to revenue by 0.9% compared to last quarter. This is mainly explained by lower activity during June due to the vacation period.

Next slide please. This slide shows the EBITDA to profit bridge and I want to highlight that the only item affecting our cash flow on our midterm or short term below EBITDA relates to the interest expenses which amounted to €67,000 for the quarter. Our interest expenses are significantly lower compared to earlier quarters due to improved financing to the revolving credit facility. All other cost items, depreciation, financial costs and tax expenses will not affect our cash flow. The financial costs relates primarily to the unwinding of the transaction costs capitalized during the quarter.

Next slide, please. If we look at our balance sheet, you can see the total asset which amounted to €76.8 million as of 30 June, 2019. The asset base consists mainly of our intangible asset which is our underlying asset portfolio, together with our receivables of €4.3 million and cash and cash equivalent amounting to €3.4 million at the end of the quarter.

Our equity amounted to €64.5 million. Amounts committed from acquisition amounted to €6.6 million at the end of the quarter, of which a current portion amounts to €3.7 million. Current amount utilized from our revolving credit facility amounted to €2.9 million at the end of the quarter.

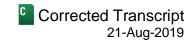
Please let's look into the next slide. Here you can see the cash flow evolvement and we have had a strong cash flow during the quarter representing a cash conversion of EBITDA of 1.1 times, driven by the positive working capital evolvement. The cash flow from investing activities amounted to €3 million, out of which €1.6 million related to acquisition of the Finnish listing website, Tvmatsit, an acquisition we did during the quarter. The rest of the outflow relates primarily to the earn-out payment during the quarter.

In line with the buyback program, we have repurchased in the amount of € 0.7 million. And I guess that some of you are wondering when the buybacks will be [indiscernible] (17:29). This is a board decision. The board is continuously assessing the company's capital structure and how to best create long-term shareholder value, and that includes also possible buybacks. There are also certain legal frameworks that the board needs to take into consideration [indiscernible] (17:45) deciding on timing.

However, as communicated in the quarter, the board has a mandate to buy up to 10% of the capital up until next AGM [indiscernible] (17:55).

Let's look into the next side please. So, I also want to take the opportunity to zoom out a bit and explain where we are after the first six months of 2019 and focus on regarding our main KPIs. So if you look at our operational revenue, they have again noticed a growth of 10.8% during the first six months 2019 versus 2018. Our organic growth is up by 5% despite the tough regulation and as you can see also, our earnings per share has grown significantly more than 300% during this six months compared to last year. Last but not least, we have a healthy growth in our indices of 46% compared year-to-year.

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Now, I will hand over back to Michael.

Michael Holmberg

Chief Executive Officer, Raketech Group Holding plc

Thank you, Andreas. So, the next slide please, with the outlook. So looking ahead, I want to emphasize that I'm confident about the future. Raketech has a strong position in the Nordics and with our proven business model, we will be able to build a strong position also in other regions. We're not rushing into this. I believe it's very important that we do proper research before entering a new market. But that work is well underway, we have a plan and we'll talk more about as soon as it materializes.

Raketech has build its business on a responsible affiliate model, and compliance continues to be a key strength of the company. It is crucial to take responsibility when working in iGaming, both to be able to recruit talent and to be able to attract the operators. I also think it's important to highlight that we currently are debt-free which opens up many possibilities for us in terms of M&A.

Let's move to the key take away some of the next slide please. So, to summarize then, I'm particularly happy with our product performance and profitability in the past quarter. We have been impacted by the Swedish regulation, but we're standing strong. We managed to navigate in the new landscape. As already stated, we also believe that the market is stabilizing and that the fair values will remain on the current levels that's what we see so far in the quarter. Our products are performing well, proven by the underlying NDC growth year-on-year. We will continue to work according to our operating model based on the three growth pillars, core, lab and M&A.

And when we optimized our current assets, we innovated a new asset and expand with acquired asset once we find the right candidates. So looking ahead, we're going to intensify our geographical expansion and I see great opportunities in this area.

To conclude, I'm confident about our long-term opportunities and Raketech is on the doorstep to expansion as a responsible and leading affiliate company.

Thank you very much. Let's move on to questions, please.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] And our first question comes from the line of Mathias Lundberg from SEB. Please go ahead. Your line is now open.

Mathias Lundberg

Analyst, Skandinaviska Enskilda Banken AB

Good morning. I have a question regarding the cost in this quarter. Revenues were a bit weaker than some of us had expected. But cost control is very good in Q2. Did you put some extra effort to keep the cost down, and you saw the revenues were a bit lower than expected or if this is more or less your cost base now. Obviously, we have to take into account that some of the direct costs are volume related [indiscernible] (22:02).

Andreas Kovacs

Chief Financial Officer, Raketech Group Holding plc

Thank you, Mathias. So, it's correct as you mentioned. So, what is happening and how our cost base works is we have a really scalable model in form of the direct costs. We have – if you have followed us for a longer time, you can see that we have changed a bit of that of in-house personnel more or less – a more flexible model. But we're working with external [indiscernible] (22:32) development and content. That means that you have a direct – we are able to slower down the direct cost in line with the revenue evolvement. So, that's totally correct. That's how our operational model works.

Regarding if you look it further down, so you get the employment cost, that is a bit of other story. We really feel that, as Michael mentioned, we will continue our geographical expansion. We will and we want to invest in special competencies. So, if we start to more or less look into how it works, the direct cost is correlated and we are able to control it through our scalable model really, really well. the employment is the same thing. We feel that we are willing to invest in it. And if you look at the operate – like other operating expenses, there I think we can be really proud where we more or less have the same type of other operating expenses than from a year ago and then we [indiscernible] (23:39) publicly-listed company.

So, as you mentioned, we are really cost conscious and cost controlled and we will always take into consideration how much we will grow and how much we want to invest in all these cost factors.

Mathias Lundberg

Analyst, Skandinaviska Enskilda Banken AB

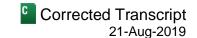
I see. Thank you. And your comments regarding the outlook, so, as I understand you that you're seeing that player values are not decreasing anymore or at least not in the same manner as earlier. So, it should be fair expectation then if you can be able to grow and [indiscernible] (24:15) quarter-over-quarter, also revenue should be starting to grow quarter-over-quarter?

Michael Holmberg

Chief Executive Officer, Raketech Group Holding plc

Yeah. Mathias, as you say what we can see at the moment is that the player values which has been decreasing, up until now I would say, now has been more or less started to stabilize. And as you pointed out that should have a correlation to our NDC evolvement. The only thing that it has to be taken into consideration that we are actually growing really well on a couple of verticals and, for example, like TVmatchen, just you know, they're not in direct

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correlation as you've pointed earlier between NDC and revenue growth. But all in all, yes, we have seen and stabilized the player lifetime value on the Swedish market.

Mathias Lundberg

Analyst, Skandinaviska Enskilda Banken AB

Thank you. That was all the questions from my side. Thank you very much.

Operator: Thank you. Our next question comes from the line of Christian Hellman from Nordea. Please go ahead, your line is now open.

Christian Hellman

Analyst, Nordea Bank ABP

Hi, thanks. Just a question on the player value first you mentioned, this stabilization that you've seen, does that relate solely to Sweden or is that a more general comment?

Michael Holmberg

Chief Executive Officer, Raketech Group Holding plc

And good morning, Christian. It is quite general, but given that Sweden is our largest market and this is obviously the consequences of the regulation and we're primarily talking about Sweden. And here, you can see also, looking forward if it continues with [indiscernible] (26:11) less operators in the market over time, and you can also see that from a consumer point of view that you're likely to not jump around as much, which would then indicate that their values can actually go up.

Then you need to add on the revenue model that you apply over now then also moving towards rev share, which makes [indiscernible] (26:32) longer term and to a longer-term strategy. So very potentially over time, [indiscernible] (26:42) and the player value is going up and also the revenue share model being then – more, going more towards that and also as a preference from the operators to work long-term together with [indiscernible] (26:57).

Andreas Kovacs

Chief Financial Officer, Raketech Group Holding plc

I will just fill in here. Michael has a good point on that [indiscernible] (27:01) last question was about the revenue and NDC. We're all tied to core lines. It has to be taken also into consideration how much the rev share portion of our revenue is going up, because there are certain delay also when the player values are triggering in our revenue.

Christian Hellman

Analyst, Nordea Bank ABP

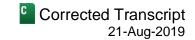
I understand. Then a question on Rapidi, the consumer-facing brand that you launched during Q2, could you mention anything on the progress of that or perhaps, you might not discuss revenues but inside the game since launch. Any comments?

Michael Holmberg

Chief Executive Officer, Raketech Group Holding plc

Absolutely. Happy to do so. So Rapidi was launched in June, if we just start there, so no significant impact on the revenue obviously, recently launched. And we don't disclose revenue from Rapidi independently, but we can say

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that, it has been launched and according to our expectations, we have recorded the NDCs from Sweden and Finland. And we are then pay on a daily basis monitoring the data from those player patterns and we can then compare it also with the player date by lifetime values from the operators and also here you can then add support that our observation the player values has stabilized and this will also benefit us moving forward. Well, we will have a larger sample of Rapidi players to compare to how the other operators that we're working with, are performing and then we can also apply intelligence in our conversations with the operators, which is also then part of this chart here as I discussed earlier to work with, with the larger and established operators and to help them to grow in a relevant manner. And there we think that we can contribute a lot. So we're happy so far, still early days, but [indiscernible] (29:13) expected to be on Rapidi.

Christian Hellman

Analyst, Nordea Bank ABP

Okay. And in terms of market, let's say Sweden, Finland, so far, but plans for any other markets in the insurance?

Michael Holmberg

Chief Executive Officer, Raketech Group Holding plc

We have the possibility of also – you see Rapidi in other market, couple of markets that we're looking at right now is Germany and Denmark for instance.

Christian Hellman

Analyst, Nordea Bank ABP

Okay. Great. Then it's my final question on geographical expansion, in general, so Raketech as a group. So, you're looking into that – from that 2019, sort of, the tapping off point in terms of that figure. Elaborate a bit more on that and perhaps speak a little bit about – since you're going into the US or right now they're more sort of exotic markets, outside of Europe, South America, Japan. Some markets I mentioned by other affiliates.

Michael Holmberg

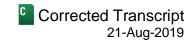
Chief Executive Officer, Raketech Group Holding plc

So, starting point then, if we look at what we communicated previously, it's then the rollout of the CasinoFever in Canada. Canada is very interesting market to us. It's very interesting for the operators. So, we're happy to invest more into that market. We can then also talk about Germany, where we have invested in launching then the TV sports guide, ahead of the World Cup last year. Now, we see good growth and good numbers from that market, still very kind of small levels we're talking about, but good growth for us that goes both with regards to revenue and traffic.

So, that's the market that we're investing also into the future. And then we are interested in the larger European markets, the regulated markets, Italy and Spain, for instance. Italy is a market, which has recently undergone a new marketing ban and this is obviously a big challenge to the operators. We think there might be possibilities to do things in Italy in the future. We're exploring that as well as in Spain.

Then if you look into wider perspective looking east, we are looking at primarily Japan and India at this point. Also, long-term strategy but it's market that we are evaluating. And then over to US specifically sometimes big potential when you look long term. But if you elaborate a little bit on that, you can see that currently in 2019, the combined regulated US income is expected to be approximately the size of Sweden. And then in two years from now, two times Sweden. So that's kind of the perspective that you need to have when looking at the US. Then long term, obviously, a really big market potential.

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We're interested more into sports than casino at this point for the US. We have then applied for and we received the New Jersey license. We are investigating other market and other states as well. But I also want to highlight that short term, I believe, we will see larger growth potential in other markets than the US.

Christian Hellman Analyst, Nordea Bank ABP	Q
Okay. Great. Thanks. I think that was all the questions I had.	
Operator : Thank you. Our next question comes from the line of [ph] Peter Bianstein (33:08) who investor. Please go ahead. Your line is now open.	is a private
	Q
Hello, guys. Thank you for a good presentation. I have some questions not regarding the report [in (33:20) in general. And my first question is, do you know of any insider buying of the stock right no	-
Michael Holmberg Chief Executive Officer, Raketech Group Holding plc	A
Sorry. Yes. So regarding that question, really from CFO, CEO, we are not really commenting on ar purchase so on at the moment.	n insider
	Q
Okay. I understand.	
Michael Holmberg Chief Executive Officer, Raketech Group Holding plc	A
I don't think that we can communicate [ph] Peter (33:50) on that.	
	Q

That's good. I hear you. And my other question is regarding PR and such. I mean, numbers are good but it's also important to build the brand, Raketech, and in my opinion, that has failed. I mean, what's your plan and strategy to blow some fire wind to the stock and how will you make it attractive to the market again?

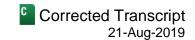
Michael Holmberg

Chief Executive Officer, Raketech Group Holding plc

With regards to Investor Relations and being a public company, my and our primary focus is to build this company successful over time and we believe on delivering rather than blowing horns, but we'll happy to talk to the market. And we have this report today and we regularly meet with the larger investors. We spoke to an investor who is contacting us and we do that in a controlled fashion.

So, when we have silent periods, we talk less. During other periods, we're happy to talk more. And then we are also driving this sector as a responsible company. That's also why we are members of SPER, the Swedish

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gambling association, and we're building this sector in a responsible manner and we're happy to talk about. We're also getting ourselves in the allowable sector by being active in the sector in many ways.

And then you can always discuss our [indiscernible] (35:33) as mentioned in the start time, talking to the market, marketing the company, and the balance with focusing on the business, and primarily we're focusing on the business. I don't know if that gives more insight into our thinking. I hope so.

Q

Yes. That absolutely did answer. Thank you for that, Michael, and thank you for today. And thank you for that answer.

Michael Holmberg

Chief Executive Officer, Raketech Group Holding plc

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Thank you.

Operator: Thank you. [Operator Instructions] Our next question comes the line of Anton Wester from Pareto Securities. Please go ahead, your line is now open.

Anton Wester

Analyst, Pareto Securities AB

C

Hi, Michael and Andreas. I have just some questions left. First, we have touched about Sweden but I also want to know about Finland, Denmark, and Norway because that is approximately 45% of your sales. Can you give us some more color regarding the developments there and how you are seeing it going forward?

Michael Holmberg

Chief Executive Officer, Raketech Group Holding plc

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Hello, Anton. So, starting up with Finland. It's a large market for Raketech, where we have invested substantially over time to create that market position. We are definitely one of the strongest companies in the market. So, it's a very interesting market going forward. It's the market that is important to most of the large operators that we know. We also – so, we're happy to continue to invest and build there and also other example of that is our recent acquisition of TVmatsit. So we're continuing to invest in Finland and it's a very important market to us. Moving over to Norway, similarly there, also invested a lot over time and will continue to do so. So I see these two markets being definitely key markets for us in the coming quarters as well.

Anton Wester

Analyst, Pareto Securities AB

Great. Thank you. And also regarding the CPA levels, can you give us some more colors regarding how much it has declined?

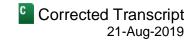
Andreas Kovacs

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Chief Financial Officer, Raketech Group Holding plc

Yeah. So CPA levels, it's really on the individual basis depending on also how the operator feel [indiscernible] (38:16) lifetime value are. But we have seen certain decline after regulation but it's also as we are communicating now that when we look in our data and go through what we see, then we see also that also those levels in Sweden starts to stabilize, and that's really a good sign for us.

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Anton Wester

Analyst, Pareto Securities AB

Great. And then to my final question. I know you said sports revenues sequentially were flat, and we're just thinking about your assets there, your TVmatchen, if you could say that as a group and also your community assets. How are they performing? Should we see that they are 28% of your sales? Or how should we see Tvmatsit and your community asset as part of your company's sales?

Michael Holmberg

Chief Executive Officer, Raketech Group Holding plc

Yeah. If I start to comment how we look at it, I mean, we look at the seasonality effect within that because as more as sport event, that's easier to actually drive this type of assets. For example, like the TVmatchen revenue listing all the gains. When you don't have that much gains on TV, then it's a bit harder to make a further revenue. And that's also why they're so proud about how these, as you mentioned that more or less we are flat against the quarter two in 2018 when we had the World Cup and other big sports events.

So, that's the answer in the first part. When we look at about how much and how they are performing, I mean, all our sports asset there we feel performing well. TVmatchen, what we are really happy about is that that integration with Tvmatsit went really very well. It was a smaller acquisition if you look at that in that way, however for us, it wasn't really primarily the asset that we bought in Finland that was the key. The key was that they have some technique which we feel that we can use and that they already have started to use on our [indiscernible] (40:19) Tvsportsguides family. So to comment on that, I would say that the Tvsportsguides family off to the synergies from Tvmatsit acquisition has performed above our expectations.

Anton Wester

Analyst, Pareto Securities AB

Thank you for those answers, Michael and Andreas.

Operator: Thank you. And as there are no further questions registered from the phone lines, I will return the word to Michael and Andreas. Please go ahead.

Andreas Kovacs

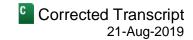
Chief Financial Officer, Raketech Group Holding plc

Yes. And we received two more questions which I would read here. The first question is about the earn-outs and how those look like. And the question is, the increase of future earn-outs. And we can notice an increase in future earn outs, can you please comment on that?

The earn outs has increased in Q2 partly driven by the acquisition of Tvmatsit which is also earn-out base, but also because our underlying assets which we have acquired are actually performing better than expected. With that said, I would like also to give some comfort in that all our earn outs are working in a cash flow positive way. So everything which we have on the account is liability on balance sheet, it also remain as more cash flow into the company.

There was also a question regarding earn outs about where they can see, these movements in the P&L in an income statement. And I would like to comment on that that we are using the IFRS [indiscernible] (41:49) rule which means that in our quarter reports, you can follow the earn out movements in the notes as you can actually

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see exactly how it has been moving. However, from accounting point of view, it's not accounted through the P&L, on the balance sheet and the cash flow.

And the second or third question here is about NDC growth and the question was how the evolvement is between quarter-on-quarter, which is actually decreased. And the comment on that is NDC decreased from Q1 to Q2. The main part of it is that if you look from an NDC point of view that, January, a lot of bonuses was triggered after the regulation, boosting a bit the NDC levels. However, if we look more on excluding January [indiscernible] (42:57) the other months, so we can see a stable bonus growing portion of NDCs which we are really proud of.

Now, I would hand it over to Michael [indiscernible] (43:03).

Michael Holmberg

Chief Executive Officer, Raketech Group Holding plc

I really want to thank everyone for joining the presentation today and thank you for the many questions to Andreas and myself. We really appreciate that and the discussion. And so to wrap up today's call, I want to emphasize that we believe we have a very good foundation to build from and despite the market turbulence in Sweden. So, Raketech stands strong and I look forward to talking to you again then in connection with the next report. So, thank you, everyone, and have a good day.

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

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