

13-May-2020

Raketech Group Holding plc (RAKE.SE)

Q1 2020 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, welcome to the Raketech Q1 Report 2020. For the first part of this call, all participants will be in listen-only mode; and afterwards, there'll be a question-and-answer session. Today, I'm pleased to present CEO, Oskar Mühlbach; and CFO, Måns Svalborn.

Speakers, please begin.

Oskar Mühlbach

President, Chief Executive & Operating Officer, Raketech Group Holding plc

Thank you, operator. Ladies and gentlemen, good morning and very welcome to this presentation of Raketech's Q1 report for 2020. My name is Oskar Mühlbach. I'm the CEO of Raketech. With me today, I have our CFO, Måns Svalborn. And together, we will walk you through the highlights for this year's first quarter.

But before we start, I want to mention that due to travel restrictions relating to the current COVID-19 situation, we're broadcasting this presentation with me sitting in our office in Malta and Måns in a studio in Stockholm, Sweden. We hope that the Internet and IT infrastructure allows us to do so without interruption, but please bear with us if not.

With that said and fingers crossed, let's move on to the next slide and have a quick look at today's agenda. Slide 3, please. The first part of 2020 has been characterized by the odd combination of being both a very stable and strong period, at the same time, as it has been volatile. The volatility is relating to factors outside of our control such as the COVID-19 outbreak and the suggested changes to the regulatory landscape in Sweden in early Q2 and the stability is relating to our performance.

Despite a very tough comparison period, we managed to deliver growth. We've even taken into consideration that Sports revenues have been reduced as a result of the many sports events being canceled as an effect of the

COVID-19 outbreak. Our growth was 1.4% year-over-year to be precise and 11.9% compared to previous quarter. Our EBITDA amounted to €2.6 million, which is 24.7% lower than last year but 33.8% higher than previous quarter.

When looking at the revenue numbers, it is important to also consider that even though the comparison period is very tough and sports betting has been reduced, the 2019 comparison does not include our Japanese acquisition that we made in Q3 last year, which is, by the way, performing according to plan or slightly better; nor does it – the comparison period contain Lead Republik, which we acquired in Q1 of this year, alone adding roughly €300,000 worth of extra revenue to the quarter. Taking these acquisitions into consideration, our organic growth amounted to minus 10.7% year-over-year; however, with a solid 6.7% growth compared to previous quarter.

I initially mentioned our stable operational performance, and on this topic, I wish to highlight our continuously high NDC intake as a confirmation of this fact. The NDC growth was in relation to the revenue growth; furthermore, indicates something interesting which is that fair values, specifically on the Swedish market where we have our largest presence, seem to have stabilized somewhat; however on a lower level, just as we expected and also previously communicated.

Predictable player values means stability, which is very good for us, but unfortunately it seems as there might be more uncertainty around the corner in form of additional Swedish regulations. In addition to the current unpredictable nature of sports betting during these times, we are glad that our operational performance is stable and that we continue to – and we continue to monitor the external development closely.

April revenues amounted to €2.4 million with a casino vertical still going relatively strong, thanks to shift from offline to online gambling, however with our sports offering still being lowered by the ongoing COVID-19 situation. The €2.4 million include revenues from recently acquired Lead Republik, which is so far progressing according to expectations.

Slide 6, please. The COVID-19 outbreak has affected everything and everyone, and it will continue to do so for a long time in one way or another. The many individual tragedies being reported from all around the world are painful to take in and our first and foremost priority has, therefore, been to ensure the well-being and safety of our staff. We therefore – we were, therefore, very early with imposing restrictions and various safety measures at the office after which we soon moved over to 100% remote workforce. Our staff has done a tremendous job and shown great spirits and we have so far not seen any negative impact on our performance.

On the product side there are many cancel sports events, however, had negative impact on our sports focus products such as our Danish sports communities where sports bettors meet and discuss or our popular TV sports guides used by sports consumers to find the next broadcasted games to mention a few examples.

It is, therefore, of course, great news to learn that it seems as some sports events might return soon. We do not know exactly to what extent this will return back to normal, but we naturally hope for it to be as much and as quick as possible. The financial impact of the COVID-19 outbreak is furthermore something that most certainly would have large effects on many markets for some time. Exactly how a potential recession could impact our customers, it's too early to say but we are, of course, monitoring the situation very closely.

Furthermore, I wish to highlight the ongoing shift from offline to online, which we believe has been fueled a little extra by the current situation. With that said, we have noticed an extra significant uplift in Norway, which we believe might be relating to this. As Sweden already is one of the, if not the highest digitalized iGaming market in

the world, the shift is as expected not as evident here as in Norway but we yet believe we see a shift. And as with all other digital shifts, they tend to stick which we, of course, hope this one will too.

On another topic, I wish to take the opportunity to talk quickly about this quarter's Google core update. Google and other search engines update their algorithms continuously but also release major updates, which are often referred to as core updates every now and then. The algorithm is what decides which position a website will have in relationship to others when someone searches for something specific. This is in other words absolutely central to what we do.

During the first quarter of 2020, there was one Google core update, which we, therefore, followed very closely. The update was on a general note positive for us, which to me indicates that the Raketech team is focusing on the right things. And more specifically, I would like to think that this is thanks to a continuous – our continuous efforts in improving the quality for the users as well as, of course, ensuring technical solutions are kept to its highest standards.

Finally, on this slide, I wish to talk a little bit about the regulatory volatility. On a strategic level, Raketech embraces clear regulations. This is also why we've chosen to be part of SPER, the Swedish gambling organization, and why we so far have chosen a very strict view on regulations. Besides the obvious that well-functioning regulations protect players and ensure that all commercial parties compete with the same set of rules, we would also like to believe that Raketech has a competitive advantage with our strong focus on compliance and quality. But just like every other company in any other market, we do not like volatility. It makes it hard to assess how and where to invest but also how to price our services.

Inspired by other countries, the Swedish government recently suggested further restrictions to the already strict Swedish market. The suggestions had been met with heavy negative reactions from the iGaming industry, including the state-owned operators as well as from the governing body, [indiscernible] (08:12), the main critique being that the proposed legislation works in contrast to its purpose, decreased the player protection as many gamblers would abandon the safe environment of the regulated market for the, via Internet, easily accessible unregulated alternative, something that, of course, besides being bad for problem gamblers also would impact our customers negatively and, thereby, also us.

We, of course, hope that the government will listen to the feedback they have received. But with this being mostly a handful political points rather than a question of defending the most vulnerable players, I will not be surprised if the legislation would pass. Hopefully, I'm wrong.

Next slide, please. Q1 has been a very eventful quarter with the acquisition of Lead Republik being perhaps the most prominent event. The acquisition adds important product areas to our offering, as well as now more-important-than-ever revenues originating from markets outside of the Nordics. I will later on in this presentation go through Lead Republik in more detail.

Being new in my role, I've dedicated a fair share of my time during the quarter [ph] interlining (09:22) the organization, and in particular, the senior management team. It, therefore, brings me extra joy to be able to announce that the team now is complete as we managed to secure a new Chief Operating Officer. His name is Oscar Karlsten and he has held several senior positions within companies, such as Google, Catena Media and Toca Boca – well, very well familiar with our industry, in other words.

Also worth mentioning is that Jonas Petersson who has been with Raketech for several years has assumed the role as Director of BI, Security and Automation, areas that all are absolutely key to us and our way forward.

On the subject of BI and Automation, we've, furthermore, during the quarter, developed and implemented top lists powered by a self-learning artificial intelligence. So far, it is live on 10 of our sites and we monitor it closely and make adjustments as we move along. My hopes are that we will be able to implement this on the majority of our sites within the not-too-far-away future, hopefully already this year. Further ahead in today's presentation, I will talk more about how the AI works and what the benefits are.

As previously mentioned, it is important for us to speed up our geographical expansion as much as we possibly can, not only to mitigate some of the risks associated with having the two large exposure to a single market, but of course also and maybe even more so because of the business opportunities with continuously high demand for new geographies from our customers. In Denmark, Norway and India, we have, therefore, during the quarter, acquired additional assets that already have small revenues. And the idea here is for us to grow them large with the help of our central operations team.

The point I'm trying to make here is not to guide you on any significant revenues [ph] any day soon (11:09), but I want to let you know that we are working not only with M&A to increase our geographical footprint, I also want to show that our central operations team now is confident and competent enough to be able to handle these type of additional assets. In the USA, we're also making progress, even if the lack of sports events have slowed our progress down significantly. We have used the time on our hands to establish a US entity, as well as secured yet another license this time in Indiana. Meaning, we are now licensed in two states with New Jersey being the second.

And within another quarter or so, we expect to be licensed also in Pennsylvania, West Virginia, as well as Colorado. We're monitoring the development in America closely and have resources allocated to ensure we are ready to act if any more states open up quicker than expected. I previously said that 2020 would be the year that the USA goes from a strategic target to strategic market which is something that I still believe is within reach, even though the COVID-19 situation somewhat is slowing us down.

Next slide, please. Lead Republik was founded in Ireland by a group of talented [indiscernible] (12:22) back in 2016. Currently, it employs eight people in offices in South Africa, UK and Malta. The main business unit is run from Malta. The development and network administration is done by the South African team, while operator relations generally are handled from the UK. Despite being a bit scattered perhaps, the organization is rather efficient and we are actually looking at potentially expanding it rather than decreasing it due to high demands for the services offered.

Quarterly revenues are expected to be roughly up to €1 million for 2020. Even though there are still some integration work left to be done, I want to highlight that Lead Republik is already part of our core organization. Their products are with that said an important piece of our core offering. And speaking about core offering, Lead Republik has two main service lines or products.

The primary one is the so-called affiliation network where Lead Republik basically acts as an intermediary in between the operator and the affiliate which is of great value to both the operators as well as the affiliates, as it reduces administration and complexity. The network consists of all kinds of sub-affiliates spanning from paid media to social media and communities, as well as more traditional organic top lists. Lead Republik is nowadays, for nowadays Raketech's, charge the participating operators, CPA, rev share, or hybrid models just as always.

The second product is what we refer to as embedded services easily put this is when Lead Republik acts on behalf of the operator when in contact with affiliates. Normally, this is done by placing an actual person within the

operator's existing organization. The model is based on full transparency and requires a true win-win partnership, which means that we are selective as to which operators that offer the service. The embedded affiliate manager gets access to our 10 years of combined affiliation insights which for many operators would be impossible to find anywhere else.

Strategically, the acquisition ticks almost all the boxes. It's a global flagship product. It targets markets outside of the Nordic and it adds two completely new product dimensions, network and embedded services. Lead Republik is, however, unfortunately, quite casino-heavy, which means that it is increasing our dependency on this specific vertical within iGaming, something we, of course, therefore, need to mitigate by directing future efforts even more into other verticals than the classic casino, such as sports, if possible.

Next slide, please. Now a little something on the area of artificial intelligence. And I don't like to pick favorites, but if I have to, this slide would be the one. Many of our sites, specifically those we often refer to as comparison sites, have top lists on them, top lists with the aim of this being the best casino bonus offer, the casino with the highest customer satisfaction, the best sports coverage or similar on position one and so forth.

In worst case, which is the story on basically all tradition affiliation sites, top lists are, however, manually sorted with little or no data to support how. However, coming from the e-commerce sector, I know how important this sorting can be and I can promise you that when you look at any successful e-commerce site, it is not a coincidence that product X is on the very top left position or that the [ph] deal sorting must often see the result where (15:44) the first few suggestions actually make sense. This type of data-driven sorting mechanisms is and will become even more important also in our industry going forward that is furthermore why we should take the opportunity to elaborate a little on how our fully in-house developed AI-powered top lists works.

The traditional affiliation top lists require manual work. They, therefore, are naturally – they, therefore, naturally generate many manual errors and additionally, if you like, Raketech have many sites you might not even update them for a long time due to the overwhelming administration that is required. The updates that are done are typically done with knowledge about things that have already happened and then assuming that the same thing will happen again also known as reactive updates. For the operator, the sorting is furthermore often a black box where it is not obvious that the best performing operator wins. This creates trust issues that in turn creates one-sided negotiations.

Without being too technical, our AI engine is expected to optimize value per click. To help the AI to do so, we feed it with a lot of data spanning from conversion rates, deposit levels, estimated lifetime values of specific operators and, of course, also the commercial details. The AI then uses this data to make decisions on which operator to place where in the lists. The important thing here to keep in mind is that the AI then takes the results from the optimization, feeds it back to the algorithm in order to continue to fine tune sorting. The more feedback it receives the better it becomes.

The benefits are quite obvious. Less admin and risk for manual errors, up-to-date and more relevant content, the best performing casinos will automatically get higher positions, increased conversion rates and reduced bounce rates, which, in return, will have a positive effect on the – for us, so important organic rankings and, last but not least, in line with our long-term strategy. This increases transparency and creates a win-win environment for us and the operators.

And with those words on artificial intelligence, let's move on to Måns and his favorite topic, the financials for the quarter.

Måns Svalborn

Chief Financial Officer, Raketech Group Holding plc

Thank you, Oskar, for that segue, and let's start on slide 11, please. Q1 was financially a stable quarter for us where we saw increased revenues compared both to last year and the previous quarter. The quarter had a positive development in NDCs, with our products performing well, and activity was higher among operators compared to Q4.

In comparison with last year, revenues increased with 1.4%, and compared to Q4, revenues increased with 11.9%. Excluding the acquired revenues of Lead Republik, Q1 this year had improved revenues of 6.7% compared to Q4 of last year. Worth also pointing out is that we have seen month-on-month growth during Q1.

Next slide, please. As we have communicated before, there has been an ongoing shift throughout 2019 from CPA and fixed fees towards revenue share and effectively operators being more inclined to go for more performance-based pricing models.

Revenue share in 2020 is higher than Q1 of last year but stable compared to Q4, and this is in line with what Oskar pointed out earlier that player values have somewhat stabilized. Flat fees are down from a very high December when activity normally is high. Flat fees are also, to an extent, sport-driven, which we, as Oskar pointed out as well, have seen a drop in – during Q1. Furthermore, we've seen a number of new casinos onboarded, which have increased CPA deals during Q1.

We continue to assess the right balance between the different revenue models. The assessment is dependent on several different factors such as market segment, operator, and to a degree macroeconomic factors.

Casino-related revenues has increased from 66% to 78% in Q1 compared to Q4 and sports have had a matching decrease in relative revenues. This is to some extent the consequence of COVID-19 and cancelled sports event as we have seen a decrease in sports-related revenues as Oskar mentioned earlier.

The acquisition of Lead Republik has also led to higher casino-related revenues as their current portfolio [ph] is tilted toward (20:18) this segment. As Oskar pointed out before, one of our operational goals is to balance out our revenue streams with more verticals and we do expect sports-related revenues to increase in absolute and relative terms when sports pick-up. We also see good potential in growing sports revenues within the Lead Republik platform.

Finally, revenues outside of the Nordics have increased to 10% – from 10% in Q4 to 14% in Q1. The increase stems primarily from Lead Republik with revenues primarily from New Zealand, Germany, and Canada. We have also seen a positive growth from the Japanese market through our prior acquisition Casumba with revenue growth of 29% between Q1 and Q4. For Q2, we are expecting revenues outside of the Nordic to reach 20% of our total revenues.

Next slide, please. Net profit for the quarter amounted to €1.1 million. The main item relates to depreciation on our intangible assets. These assets consist of player databases and other intellectual property, primarily related to Casumba and CasinoFeber. Through our acquisition of Lead Republik, we have also capitalized the technical platform, and this, and the other assets are depreciated over three to five years. The other items below EBITDA are minor but worth pointing out is that the only cash-affecting item relates to the interest expense of €0.1 million.

Next slide, please. Total assets amounted to €82 million, of which the majority relate to our intangible assets. On our liability side amounts committed of €9.6 million consists of expected earn-outs which primarily relates to

CasinoFeber, Casumba and Lead Republik. Furthermore, we have a slight net debt position of €0.2 million in Q1 as an effect of the Lead Republik acquisition. In the beginning of Q2, this net debt position has, however, already been restored as our underlying net cash flow continues to be positive.

Next slide, please. This slide illustrates our cash flow bridge Q1 this year versus Q4 of last year. Net cash from operations of close to €2.6 million is up from €1.8 million compared to the previous quarter and has increased with higher profitability. Net cash from investing activities relate to the acquisition of Lead Republik of €1.4 million and earn-out payments of €2 million. Cash flow from financing activities relate to interests and lease payments. Disregarding the acquisition of Lead Republik, we can conclude that we have a positive underlying net cash flow of €0.5 million.

Next slide, please. Our reported EBITDA compared to Q1 of last year is quite significantly lower, so let me walk you through the contributing factors behind this as it ties very close to our operational goals and our current organizational transformation. The EBITDA margin in Q1 of last year was 54.1% compared to 40.2% now in Q1. And the two bigger line items being in the EBITDA down relates to direct costs and employee benefits cost.

When it comes to direct costs, we have during the last nine months added new products and offerings. The main ones being RapiDi, Paid Media, and the most recent one Lead Republik. These are all lower-margin products, but are essential for us to be able to be the full-service performance marketing company that global operators are looking for and essential for us to be able to reach a much bigger geographical spread.

The other increase in costs relate to employee benefit expenses, and these are as well a direct effect of the transformational change and geographical expansion. We had, during the last nine months, strengthened the management team, strengthened our data and sales analytics team, and we have expanded our organization to cater for an increased focus on M&A and entry into the US market. As you will see, however, in the next slide, our costs related to employee benefits have leveled out and our direct costs have reached a scalable level.

Next slide, please. This slide illustrates the margin development between Q4 2019 to Q1 2020. Our direct costs have been stable, which improves the margin as revenues increased. The addition of Lead Republik has partly offset this effect, and this will obviously be a variable cost that correlates with our revenues. Employee costs have been stable and even slightly decreased, and thus have a positive margin contribution as revenues increase.

As I pointed out, we have reached a good level in terms of our organization and are not planning for any further significant investments in this regard.

Thank you and back to Oskar on slide 19, please.

Oskar Mühlbach

President, Chief Executive & Operating Officer, Raketech Group Holding plc

Thank you, Måns. Despite the tough comparison, we managed to grow year-over-year as well as quarter-over-quarter. The quarterly growth was quite substantial, even cleared from non-organic growth. We think that we have noticed some sort of stabilization when it comes to player values as well distribution between different sales categories, such as rev share and CPA.

Our NDC intake has continued to be strong and April revenues amounted to €2.4 million with a stabilized EBITDA margin over 40%. During the quarter, we furthermore acquired Lead Republik, which does not only add extra revenues but also strategically important milestones, such as increased geographical footprint, product categories and more.

We also implemented our first tries with artificial intelligence which might sound like a small thing, but it's telling you something about how we want to run the business going forward. In addition to this, we secured yet another top talent, this time Oscar Karlsten, who joined the company in early May.

Despite coming out of Q1 with somewhat operational confidence, I must point out that we live in a volatile world. If it isn't COVID-19, it is stricter regulations making the situation more difficult to assess. With that said, I think our strategy makes more sense than ever and I, therefore – and therefore, our focus is and will continue to be to deliver on this.

And as a reminder, on the strategic operational goals, they are, firstly, to be present on at least three continents and to be present, revenues must represent more than 10% of the group's total revenues. Secondly, build at least four to five global Flagship products like the TV sports guide or now also the Lead Republik network. Thirdly, make sure our offering contains at least four to six product categories such as communities, comparison products, social media, Paid media, network sales and more.

And finally, ensure the revenue split does not over exceed 60% of the group's total from a single vertical like it does today with casinos. The green dots in this slide signals our progress on each of these during the quarter, clearly showing we are moving in the right direction in terms of strategy.

And with those final words, I would like to make room for questions. Please move on to the next slide.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] We have one question coming for you so far that's from the line of Christian Hellman at Nordea. Please go ahead. Your line is open.

Christian Hellman

Analyst, Nordea Markets

Q

Hi, guys. Thanks for taking my questions. One question on the trading update here for April. Can you tell us a little bit about what you've seen in different markets Sweden versus other Nordic countries, and perhaps also abroad just to give some flavor on that development so far in Q2?

Oskar Mühlbach

President, Chief Executive & Operating Officer, Raketech Group Holding plc

A

Good morning, Christian. Thank you for your question. Of course, I can elaborate a little bit on this. I would have point out though that we don't normally give guidance on very specific markets in that term and I don't [indiscernible] (29:36) the result for Q2 as of yet. I can still say that the split – the geographical split, as we've seen it before, has not substantially changed in April. Nothing to comment there.

And to clarify, our geographical spread, we are predominantly – our largest market is still Sweden, even though our dependency on Sweden has decreased which is a positive thing with the acquisition of Lead Republik being the main factor for that. Our second largest market is Finland and then we have a cluster of markets making up roughly the same size, and those are Norway, Denmark, Germany and Japan. And lastly at least, we have two markets that brings – that bring in substantial revenues, but our smallest ones and they are Canada and New Zealand.

And on the general note to comment on specific market development, I don't see any major shifts from what we've experienced previously.

Christian Hellman*Analyst, Nordea Markets*

Q

Particular, there's a lot of – I guess it hasn't been implemented yet but at least, there has been some suggestion from the government about enforcing stricter rules on bonuses, SEK 100 limit, et cetera. What's your thoughts on this and how would that impact the affiliation business and your business in particular?

Oskar Mühlbach*President, Chief Executive & Operating Officer, Raketech Group Holding plc*

A

Thank you for that question. That's a very interesting one. It's something that we, of course, monitor very closely and a question I also expected potentially could come up in this Q&A session. And I would love to be able to give a straight answer to that and tell you exactly how it's going to influence us, but unfortunately we have just as little information as everyone else about what the regulation will hold.

What I can say with certainty, though, is that if it is imposed as it was originally suggested, it will have a quite negative impact on the channelization with a lot of – with the increased basically problem gambling behavior. That's what we know for now.

We're, of course, monitoring the situation and awaiting the final suggestion from the government. And if you look at all the feedback that has been given from various organizations, it seems like the criticism has been quite harsh. So, hopefully, we'll see not as harsh restrictions as they were originally suggested, but we don't know anything more at this point, unfortunately.

Christian Hellman*Analyst, Nordea Markets*

Q

Okay. Thanks then. Thanks.

Oskar Mühlbach*President, Chief Executive & Operating Officer, Raketech Group Holding plc*

A

Thank you.

Operator: Thank you. [Operator Instructions] And we have a further question coming through. That's from the line of Mathias Lundberg of SEB. Please go ahead. Your line is open.

Mathias Lundberg*Analyst, Skandinaviska Enskilda Banken AB*

Q

Good morning. This is Matthias. I have a question or a couple of ones. The first one, as already mentioned in the report, that you had seen some changes in the market with the operators. Have you seen any changes in your dialogues with the operators, how they want to operate with you, what kind of contracts they want to sign? If you could elaborate a bit more around that, it would be great.

Oskar Mühlbach*President, Chief Executive & Operating Officer, Raketech Group Holding plc*

A

Okay. Of course. Good morning, Matthias. Thanks for the question. It is still – I think you're referring to potentially the Swedish market. Or is that what you are particularly asking about or...

Mathias Lundberg

Analyst, Skandinaviska Enskilda Banken AB

Q

Well, if you've seen any changes in your customer footprint and the commercial terms with them, or have you addressed your footprint in some sense? I'm just curious about the general dynamic between the affiliates and operators in current market.

Oskar Mühlbach

President, Chief Executive & Operating Officer, Raketech Group Holding plc

A

Yes. Okay, okay. I think I understand. I mean in situations where volatility is high, obviously, the demand or request for rev shares sort of setup is increased, and that is the [ph] natural (34:11) part of our industry. We are, at the same time, also monitoring that very closely.

And I would say that we are focusing on ensuring that our largest partners with proven credit track record and successful businesses are mainly on the rev share rather than other types of deals and, obviously, new operators in regions or geographies that are new to us where we don't have enough knowledge yet to assess the lifetime values of the players that would then naturally be more of a CPA-based commission model.

And we haven't really seen any effects of the volatility as of yet in terms of pushing us any direction. But, of course, if the volatility continues, we might see demand for that. But we are also, on our side, very careful with who we allow to be on specific deals, et cetera. So we're assessing that on an individual basis depending on the operator and the geography.

Mathias Lundberg

Analyst, Skandinaviska Enskilda Banken AB

Q

That's really helpful. Thank you. And looking at the NDC inflow, is that particularly heavy towards some markets, or is it more or less in line with the geographical footprint you have on revenues, or is there some [ph] appeal to (35:31) some markets there?

Oskar Mühlbach

President, Chief Executive & Operating Officer, Raketech Group Holding plc

A

Yes, it is – it's also a good question. We see – as I also mentioned in the presentation, we see generally very good performance from our product line across the board. But of course, the more sports-heavy countries such as Denmark and Finland have seen a more significant decrease during this time of Corona in canceling sports events, so that is an obvious consequence of that.

And then furthermore, quite substantial amount of the NDC increase also stems from the Lead Republik acquisition. And obviously, those markets are markets that are fairly new to us or where we have limited footprint before. So, NDCs coming in from Canada, Germany and New Zealand are obviously making up a fair share of the increase in NDCs.

Mathias Lundberg

Analyst, Skandinaviska Enskilda Banken AB

Q

Great. And then could you perhaps go into – when you invoice an operate, how long does it take for you to have the payment? The [ph] conversion (36:37) cycle there?

Oskar Mühlbach*President, Chief Executive & Operating Officer, Raketech Group Holding plc*

A

That is – there is between the operators. A large amount you actually get paid right away. So, after the month, we still get paid right away. And then the credit terms differ a little bit depending on which operators we pay with without getting into a lot of details on it.

Mathias Lundberg*Analyst, Skandinaviska Enskilda Banken AB*

Q

Okay. And could you perhaps – the last one for me, conclude a bit where you are on the USA growth initiative? Where are you right now in that organization? And looking at revenue-wise, how do you view USA right now in the near-term?

Måns Svalborn*Chief Financial Officer, Raketech Group Holding plc*

A

All right. I can take that one. US is, as I also mentioned in the report, a strategic target for us, and hopefully 2020 will be the year when we turn that into strategic market. Obviously, the USA is very sports-heavy, so a lot of the planned marketing activities have been postponed from our side. We'll, of course, use the time to make sure that we have all the infrastructure in place. So when the sports return back, we hope that we will maybe be able to reap some benefits there.

We're still experimenting with exactly what type of services to offer, but it's primarily tilted towards Paid media which is, we believe, the USA is more suitable for than more of the organic focus that is in the Nordics, for instance.

Mathias Lundberg*Analyst, Skandinaviska Enskilda Banken AB*

Q

Great. That's all for me. Thank you very much.

Oskar Mühlbach*President, Chief Executive & Operating Officer, Raketech Group Holding plc*

A

Thank you.

Operator: Thank you. [Operator Instructions] Okay. There seems to be no further questions, so I'll hand it back to our speakers for the closing comments.

Oskar Mühlbach*President, Chief Executive & Operating Officer, Raketech Group Holding plc*

All right. So, thank you, everyone, for joining the presentation today. We look forward to talking to you again in connection with the Q2 report in August. Have a great day.

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