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# Raketech Group Holding plc (RAKE.SE)

Q3 2020 Earnings Call

## CORPORATE PARTICIPANTS

### Oskar Mühlbach

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

### Måns Svalborn

*Chief Financial Officer, Raketech Group Holding plc*

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## OTHER PARTICIPANTS

### Erik Lindholm-Roejestaal

*Analyst, Nordea Bank ABP*

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Ladies and gentlemen, welcome to the Raketech Q3 Reports 2010. For the first part of this call, participants will be in listen-mode only, 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 go ahead with your meeting.

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### Oskar Mühlbach

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

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. And 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 3 please. The agenda hasn't changed much since last time. And before we will start with – 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 US, 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. And 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. Of course, as always, there will be room for questions at the very end. We'll aim for the presentation to take roughly 30 minutes.

Let's get started. Slide 4 please. So, 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 €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. But 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%. 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 €2.9 million due to our increased investments into R&D and expansion. This is perhaps slightly higher than anticipated. On 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 translates into increased EBITDA. And 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.

As you can see in the far right circle, our NDC intake continued to be strong, and just as with 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. 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 €2.6 million, which is strong. However, please bear in mind that Q4 is normally a strong casino season, so even if €2.6 million in revenues is a confident start, it is in line with our own expectations.

Next slide, please, and that is 5. In our Q2 presentation, I explained that the current Swedish regulatory landscape is a bit tricky. 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 lowered 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 [indiscernible] (00:05:27) which is a Swedish helpline for problem gamblers, 7 out of 10 calls for help in 2020 came from individuals already self-excluded from the licensed market. This sample data in this case indicates that 70% of gambling problems stem from the black market, which is the number in the circle to your right.

With that said, the effects on Raketech have 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.

But 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. And 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, Sweden, which is the number highlighted in the circle to your right. 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 6, please. As you might recall, I previously stated that 2020 is the year when the US shifts from being a strategic target to a strategic market for Raketech. But in 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 US as a strategic market. And as you can imagine, our main focus during Q3 has been the US from operations, product development, sales, and of course, also M&A. But rest assured, we have also delivered on many other projects just as always, but our main focus has, as said, been specifically the US, which is also why this presentation naturally is centered to a large extent around this.

And with that said, many of the important pieces of the puzzle that we have been designing came into place in the third quarter. And 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 NDC's. And we have launched a series of campaign site – sites with paid traffic as foundation already delivering NDCs. As a proof of our delivery-oriented and scalable, centered core operations, we furthermore just recently launched TVsportguide.com, which is a full-blown American version of the Scandinavia and other parts of Europe still popular TV sports guide family.

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 US 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.

But 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 in terms of – not only in terms of being the experts in what we deliver to our customers in 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 would be able to find smarter and more efficient solutions to marketing than our competition that satisfies both our customers' and users' needs. And 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. But 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 and that will be slide 7. So, now a few words about the acquisition of American Gambler. We are, as you know, constantly and continuously screening for acquisition objects and normally we have a few dialogues ongoing at all times. 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 US 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. American Gambler is turning over approximately €150,000 per month which is volume enough to shift the US from the strategic target to strategic market, and 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 US, 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. And 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 8. 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 – long-term commitment. The first two orange boxes illustrates 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's 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. 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 well – 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 9. As you might have figured out, there are a few things that differs the American Gambler acquisition from others that we made, and I want to take this opportunity to point them out. First of all, it's a fairly young asset. It has experienced significant growth over the last year or so, but as with most assets targeting the US, 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-out, 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.

And 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're doing, as the financial items under EBITDA sometimes can be hard to dissect, explain, and 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 assets, but to slightly less generous profit split. The profit split will be part of the operational costs, just as I explained. 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.

And by thinking long-term, and also having a plan for the years after the two initial years, we can

already now – we're certain to 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 €5 million which is shown in the second circle is taken from our current cash. And other than that we have no financial commitments more than of course sharing profit from the product during growth.

And 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.

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## Måns Svalborn

*Chief Financial Officer, Raketech Group Holding plc*

Thank you, Oskar. And let's start on slide 11, please. As Oscar pointed out in the beginning, the 24% growth from 2019 relates primarily to our recent acquisition through Lead Republik. But worth pointing out again is that this quarter had 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 firming 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. This slide illustrates our NDC development the last three quarters and we are showing quite a substantial increase in NDCs. But worth pointing out is that increase is essentially an effect of our acquisition of Lead Republik, at least when looking at Q1 to Q2. These are low margin of NDCs as Oskar pointed out, so they



don't really correlate or drive revenue to the same extent that you would see in our more traditional services. Between Q2 and Q3, Lead Republik continued to contribute with a high NDC intake, but the Swedish re-regulation especially boosted NDC as active players opened more accounts as an effect of the deposit limit. So, 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. The increase in NDCs did naturally have a positive effect on CPA-related revenues. This is evident comparing Q3 with last year. But 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 have several new brands launched during the quarter which normally drives CPA. The effect of the re-regulation can also be found for flat fees, absolute increased performance-based fixed fees, but to a larger extent based on a predetermined performance target.

From a strategical point of view however, it's good to see that some of the growth within flat fees does also come from added services through extended audiences and VIP program that Oskar highlighted during the Q2 presentation. 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. And 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 sport revenues have declined in relative terms as well, as expected.

And finally, revenues outside of the Nordics have increased slightly to 20% in Q3. And as you've gathered, we will be adding US revenues to the mix, and we will, ahead of Q4 evaluate how we best illustrate how our different regions develop. Next slide, please.

Net profits for the quarter amounted to €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 the technical platform primarily related to Casumba, CasinoFeber, 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-affecting 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. And as you can see in this slide, we've increased amortization year-on-year and this relates primarily to reevaluations of casino fare but also the acquisition of Lead Republik. And 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.

But important to note out that – is that these transactions are non-cash-affecting, accounting technical to some extent and also to some extent [indiscernible] (00:24:04). But they are aimed at maintaining a good balance between a reasonable amortization schedule and a fair value in our balance sheet. This is also why we have

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 €86 million, of which the majority relate to our intangible assets. 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 €11.8 million consist of expected earned-outs, which primarily relate to CasinoFeber, Casumba and Lead Republic. We have during Q3 revalued earn-outs related 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 €3.6 million is up from €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 €1.5 million, and cash flow from financing activities relate to interest and lease payments. We have a positive net cash flow of €2 million for the standalone quarter, up from €1.5 million compared to Q2 this year and 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 cost. We have during in 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. And in previous presentations, we have covered the main reasons for this. But as a small reminder, it's essentially an effect of the transformational change and geographical expansion we have gone through during the last nine months. What we're 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's 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. However, with higher revenues this quarter from our higher margin products in combination with a stable level for both direct and employee cost, we came in just slightly below the Q2 margin. And this proves the point we 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.

And yes, thank you. And back to Oskar and slide 21, please.

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## Oskar Mühlbach

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

Thank you, Måns. That was actually the last slide of today, so 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 taken 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. But 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. But maybe more exciting is that we now have our toes dipped into the US market, a market which is projected to have many years of substantial digital gambling growth ahead.

In terms of flagship assets and product categories, we are also stronger than ever before. But rest assured, we don't stop here. There are still plenty of opportunities for further rollouts 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. And with that said, our sports sales are not back to pre-COVID levels as of yet even though we have seen positive signs of traffic increasing to a large degree. We managed to maintain a stable EBITDA level quarter-over-quarter despite changes in product mix on investments in product development and our October revenues amounted to €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 US sport asset which we believe already by the end of Q4 will help us conclude revenues from the US of 5% to 10% of group total. And we divested our finance vertical, which enables us to keep laser-sharp focus on what we do best, which is iGaming performance marketing 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.

And 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 learnt 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. But on the other hand, we see sport events being canceled and potential long-term negative financial macro consequences affecting the consumer purchasing patterns. 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.

And with that said, and despite the turbulence, I look forward to continuing to execute on the company strategy and deliver on milestones and goals. And 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. And to repeat what I said last time, we will continue to make investments into the future. This opportunity is now, and I want to make sure that we, for instance, maximize our potential in the US, that we continue to lower our dependency of single market through geo expansion and continue to ensure we have a broad and strong commercial offering. This means that we will continue to expect, at least in the short to mid-term, EBITDA to be on current levels, or occasionally even slightly lower than that.

And, 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.

And with those words, that was all for today. So let's see if there are any questions. Move – please move on to slide 22, or 23.

## QUESTION AND ANSWER SECTION

**Operator:** Thank you. [Operator Instructions] Our first question comes from Erik Lindholm from Nordea. Please go ahead.

**Erik Lindholm-Roejestaal**

*Analyst, Nordea Bank ABP*

Q

Yes. Hi, Oskar. Hi, Måns. Yeah.

**Oskar Mühlbach**

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

A

Good morning.

**Måns Svalborn**

*Chief Financial Officer, Raketech Group Holding plc*

A

Good morning.

**Erik Lindholm-Roejestaal**

*Analyst, Nordea Bank ABP*

Q

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

**Oskar Mühlbach**

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

A

All right. Thank you, Erik. That's a very good question. I think to start off with the first one regarding growth, I mean this is an acquisition that is, as I mentioned in the presentation, very much focused around growth. So, obviously we think that this is a great opportunity to not only continue with the 30% to 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. So we see great growth potential. And also from a structural perspective, the US is, as you know going through a transformation where online – where gambling sort of moves from offline to online

on a more general – from a more general perspective in combination with states opening up one after the other. So 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 Lindholm-Roejestaal**

*Analyst, Nordea Bank ABP*

Q

Got it. So, 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***President, Chief Executive & Operating Officer, Raketech Group Holding plc*

A

Yeah. I mean, for competitive reasons I wouldn't go into exactly what the secret sauce is in terms of exactly what we rank on. But 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 Lindholm-Roejestaal***Analyst, Nordea Bank ABP*

Q

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

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

A

That is after the profit sharing.

**Erik Lindholm-Roejestaal***Analyst, Nordea Bank ABP*

Q

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

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

A

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

**Erik Lindholm-Roejestaal***Analyst, Nordea Bank ABP*

Q

Yeah. Great. That makes sense. And looking at your other US assets, would you say that HowToBet is the asset with the most potential here, or any other assets that you see a large potential in?

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

A

Yeah. We believe of course a lot in HowToBet. We think that it's – with regards to the US being 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. So, it's a long-term commitment for us. But 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. So – and to my knowledge, there are no real competitors in terms of that in the US. So that is obviously also with great potential. So, I would say those are the two biggest potential products that we built ourselves, and TV sports guide is maybe extra interesting as we have already proven that to be successful on other markets. So, it has a proven concept.

**Erik Lindholm-Roejestaal***Analyst, Nordea Bank ABP*

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

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

Yeah. That's a relevant question. We have a strategic goal to not be – to not have any single market more than 20% of the group's total. And if we look at US, we have chosen to see US not as a single market, but many markets. The states are so big. So, I would say that with US being the biggest gambling market in the world and predicted to be the biggest digital gambling market in the world, I will be surprised if the US wouldn't make up a fair share of our total group revenue. Exactly what levels we would land on, it's hard to guide on. But 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 Lindholm-Roejestaal***Analyst, Nordea Bank ABP*

Sounds promising. And so, you still have quite a strong position to carry out M&A here. So, is it fair to assume that you wish to find more assets in the US then, or are you looking at other geographies as well? And would you say that you are acquiring to – open to acquiring both casino and sports assets?

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

Yes and yes; we are prioritizing assets that tick as many strategic boxes as we possibly can. So the US is a strategic target for us, or is now actually a strategic market for us. So obviously, the US is important. But as I mentioned previously, it's also very important that whatever we acquire helps us to become better at whatever we do. So, 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. So if we can further – if we can get a further better offering for our customers or a wider geographical footprint, and that could be on other continents as well, that would bring value. So, it doesn't necessarily ring-fence the US for acquisitions going forward, but obviously the US is very interesting as it is an – a strategic market for us.

**Erik Lindholm-Roejestaal***Analyst, Nordea Bank ABP*

Great. And final question for me, so sports revenues; you say that sports revenues are still below pre-Corona levels in Q3, and is it possible to sort of quantify this impact? And how would you say that October is looking?

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

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

**Erik Lindholm-Roejestaal**

*Analyst, Nordea Bank ABP*



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

**Operator:** Thank you. [Operator Instructions] Okay. There appears to be no further questions. So, I'll hand back to the speakers' for any other remarks.

**Oskar Mühlbach**

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

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.

**Måns Svalborn**

*Chief Financial Officer, Raketech Group Holding plc*

Thank you.

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