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Raketech Group Holding Plc (RAKE.SE)

Q2 2025 Earnings Call

CORPORATE PARTICIPANTS

Johan Per Carl Svensson

Co-Founder & Chief Executive Officer, Raketeq Group Holding Plc

Måns Svalborn

Chief Financial Officer, Raketeq Group Holding Plc

OTHER PARTICIPANTS

Rikard Engberg

Analyst, DNB Carnegie Investment Bank AB

MANAGEMENT DISCUSSION SECTION

Operator: Welcome to the Raketeq Q2 2025 Report Presentation. For the first part of the presentation, participants will be in listen-only mode. [Operator Instructions] Now, I will hand the conference over to speakers, CEO, Johan Svensson; and CFO, Måns Svalborn. Please go ahead.

Johan Per Carl Svensson

Co-Founder & Chief Executive Officer, Raketeq Group Holding Plc

Good morning and welcome to Raketeq's Q2 2025 presentation. My name is Johan Svensson, and I'm the CEO of Raketeq. Today, CFO, Måns Svalborn, and I are here to present our Q2 report. Starting with financial highlights. We came in at €7.8 million in revenues in Q2, an organic decrease of 53.8% year-on-year; and negative 47.9%, excluding the divested advisory Tipster business. The vast majority of the revenue decline comes from the Casumba assets, the paid publisher segment within SubAffiliation, and with now full divested US Tipster business. I will give more details around this on the next slide.

Adjusted EBITDA amounted to €2.1 million, while reported EBITDA was €2 million. During the quarter, we divested our noncore US Tipster and subscription assets. We have a transaction closing at the end of June. These assets, along with a related US operation, had a negative EBITDA impact of €0.5 million in Q2. Adjusted EBITDA, excluding the divested US Tipster assets, was €2.6 million in the quarter.

As of July 1, we no longer have any costs related to the divested Tipster business, which is expected to result to in improved profitability going forward. We have [indiscernible] (00:02:22) approximately €150,000 per month. Free cash flow over quarter was €1.8 million. Excluding publisher costs, we achieved cost savings of 35% in Q2 compared to Q1 of last year. Q1 last year marked the start of a review of our operating model.

Next slide. Now, let's look at the performance of each business area during the quarter, starting with Affiliation Marketing. Affiliation Marketing came in at €5.7 million in revenue. Our Casumba assets continue to decline, and the overall market conditions for these assets continue to be challenging during the quarter. The Casumba founders are still dedicated to the daily operations. Excluding these assets, the remaining Affiliation Marketing portfolio show a 5% growth quarter-on-quarter.

The four new partnerships with entrepreneurs have all launched according to plan, with a strong operational momentum and a clear focus on product development, content, and commercial improvements. This operating model, along with the products operated within the partnerships, now account for more than 60% of the total Affiliation Marketing revenues. We continue to work on developing our business and reducing our dependency on SEO Affiliation Marketing.

A positive development is that we have signed a comprehensive agreement for our TV sports guide with a leading Nordic TV and streaming provider that we haven't worked with before. We are also increasingly leveraging AI tools across the business to streamline and simplify various tasks.

SubAffiliation; SubAffiliation revenues amounted to €2 million, and the gross margin for SubAffiliation was 38% in Q2. As we reported in connection with the Q1 report, we saw a marked decline in pay revenues within SubAffiliation in March as a consequence of structural changes in advertising ecosystem. We have not seen any notable improvements since then for our paid focused publishers. Given that paid has a high share of upfront payments, what we call CPA-based revenue model, that means the decline in revenue has been greater. While margins have increased due to contributions from our rev share databases.

Organic part of SubAffiliation performed in line with Q1 where we saw a seasonal effect in the US due to fewer sport events. The pipeline of organic publishers remains strong, and we are cautiously optimistic ahead of the upcoming football season as the US continues to be a focus market for us [indiscernible] (00:05:01).

We're also continuing our efforts to sign additional exclusive network agreements with operators for AffiliationCloud. This model gives us the exclusive rights to offer commercial deals to affiliates who do not work directly with a specific operator. It has proven to be a successful model that creates value for all parties, the operator and the smaller affiliates, who do not have opportunity to secure directories with larger operators.

US betting tips and subscription. During the quarter, we successfully divested our noncore US Tipster and subscription assets. The total [ph] consideration (00:05:40) amounts to €1.25 million. These assets, along with the related US operations, had a negative EBITDA impact of €0.5 million in Q2. This is a cost we no longer carry as of July 1, which will lead to an increase in profitability and cost savings of approximately €150,000 per month.

Going to the next slide, AffiliationCloud and our platform-first approach. The development of AffiliationCloud continues to progress steadily. During the quarter, we successfully launched our proprietary software solution, Rakecollect. Designed to gather data [indiscernible] (00:06:19) performance metrics directly from [indiscernible] (00:06:22). This new tool enhance our ability to deliver more accurate data. It's positioning us ahead of our competitors in terms of both efficiency and data quality.

We have an ambitious road map for the remainder of the year focusing on powerful new features such as automated reporting, improved user experience, and a flexible wallet solution that enables publishers to withdraw their commission on demand.

Previously, we have operated with two separate commercial teams, one focused on selling traffic from assets we own, Affiliation Marketing; and another team dedicated to monetizing traffic from external publishers within SubAffiliation. We have recently made changes to meet the demand of our commercial operations, allowing us to bundle sales more effectively across all assets on the platform, regardless of whether assets are owned by us or provided by external publishers using AffiliationCloud as their commercial platform. The target is to offer operators

increased volumes of traffic through a single platform deal by leveraging the scale and synergies across our ecosystem.

Next slide. Now, I will share an update about our entrepreneurial partnerships for our Affiliation Marketing portfolio. As previously reported, we signed four new [ph] deals (00:07:40) for our Affiliation Marketing portfolio during the quarter of this year – in the first quarter of this year. All of these have launched successfully. The background to what we now refer to as entrepreneurial partnerships is the challenges we have experienced in operating our product at scale following the exit of entrepreneurs from whom we acquired the businesses from.

Each partnership and its exact structure are tailored to match the specific needs, size of investments, and expertise involved. What all partnerships have common is that Raketech, through its central teams, manage sales, commercial agreements, finance, reporting, management, and [ph] parts of the tech (00:08:23). Our partners are responsible for the day-to-day operations, including SEO, content creation, and product development. Together, we bring complementary expertise to the table, enabling sustainable long-term growth.

Operational activity has been very high with the new [indiscernible] (00:08:40) products already relaunched and more schedule for release during the second half of the year. I would also like to clarify that Raketech still retains full ownership of all assets operated in these type of partnerships. Excluding Casumba, the rest of the Affiliation Marketing portfolio grew by 5% in Q2 compared to Q1, with entrepreneurial partnerships contributing to this growth.

Now, over to Måns and a deeper look into our financials.

Måns Svalborn

Chief Financial Officer, Raketech Group Holding Plc

Thank you, Johan. We saw total revenues of €7.8 million in Q2. On your left side, we have total revenues split on our three business areas; and on the right side, total revenues distributed on customer regions. Starting with Affiliation Marketing, which now accounts for 73% of total revenue in the quarter; and similar to previous quarters, the Casumba assets have underperformed. What's positive to see is that, excluding these assets, the remaining portfolio is, as Johan pointed out, growing with 5% from Q1. And this growth is largely stemming from our Nordic assets.

SubAffiliation represents approximately 25% of total revenues in Q2. The decrease in this area is largely the driving factor behind the overall decrease in revenues. And we have highlighted this in prior quarters and that this relates primarily to our paid network publishers. The last few quarters, we have seen ongoing challenges for our publishers, and the area experienced additional headwinds as from March last quarter.

This continued through Q2, and so far we don't see any meaningful recovery in the near term. The focus, rather, for this area is, as Johan highlighted, the organic publisher network with a positive momentum for the number of revenue-generating publishers, which is promising as we move along.

Next slide, please. This slide shows revenue mix and vertical split. Just a couple of quick points on this slide. So first, the variation in CPA is largely driven by the lower activity in SubAffiliation. This area is predominantly CPA-heavy and driving the decline from strong results of previous quarters. Flat fees and revenue share in Affiliation Marketing are, however, reasonably steady. The decrease in rev share is again primarily an effect of the softer development for Casumba. And again, disregarding these assets, rev share is relatively stable and flat fees is growing.

Next slide, please. And as highlight in previous quarters, we've had a continuing review of all products and business areas to ensure that we are operationally efficient. From a high point in Q1 of last year with regards to cost, we initiated a review in cost-cutting initiative. And similar to last quarters, we're now seeing these initiatives realized with an overall decrease in total costs, excluding publisher cost of about 35% from Q1 last year. And, furthermore, we expect to have additional cost savings of about €150,000 per month as we head into Q3 as an effect of the disposal of the US Tipster assets.

Next slide, please. This slide, last slide from me, illustrates EBITDA quarterly and free cash flow in relation to EBITDA. It also illustrates accumulated numbers over the last 12 months, and this should correlate reasonably well on a quarterly basis, but more so over a 12-month period, and they do. The difference we do see this, as expected, tax, lease, and interest payments, as well as some CapEx, but these are minor items as you can see.

Furthermore, specifically on the earnout payments, we settled €2 million in Q2 as planned. This leaves us with the last earnout payment that was originally due in September 2026, of which now the payment period has been extended up until March of 2028, as we communicated in connection with Q1. And this will be partially settled in installments up until 2028.

Thank you. And over to Johan.

Johan Per Carl Svensson

Co-Founder & Chief Executive Officer, Raketech Group Holding Plc

Thank you, Måns. To summarize, before we open up. Financials, revenues in Q2 of €7.8 million, adjusted EBITDA of €2.1 million representing a margin of 27%, and an EBITDA of €2 million. Adjusted EBITDA, excluding the divested US tipster assets, was €2.6 million in the quarter. Excluding publisher costs, we achieved cost savings of 35% in Q2 compared to Q1 of last year.

Some key takeaways per business area, starting with Affiliation Marketing. Excluding the Casumba assets, the remaining portfolio grew by 5% compared to Q1 with strong contributions from our entrepreneurial partnerships. These partnerships now account for more than 60% of total Affiliation Marketing revenues. And we are seeing strong operational momentum. SubAffiliation; Paid SubAffiliation has not recovered following the significant decline in March, and the current volumes remain very low. Meanwhile, organic SubAffiliation performed in line with Q1, as expected, given the low season in US sports. The pipeline of new organic publishers remains strong.

US Betting Tips and subscription. We divested the noncore US Tipster and subscription [ph] for €1.25 million (00:15:02). These assets and the related operations had a negative EBITDA impact of €0.5 million in Q2. From July 1, related costs to these assets are eliminated, improving profitability by approximately €150,000 per month.

Business outlook and trading update. Our focus going forward is clear: to continue developing AffiliationCloud into a leading commercial affiliate platform in the iGaming industry. By enabling bundled sales across our internal assets and external publishers on the platform, we create commercial synergies. At the same time, we deliver value to operators for a tailored exclusive agreements that support and strengthen their affiliate operations.

We have had a strong start to our new entrepreneurial partnerships with seven new product launches planned for the remainder of the year. In parallel, with ongoing optimization for our casino assets, we are also working intensively to ensure we are well prepared for the FIFA World Cup next summer.

Preliminary data on July revenues for Affiliation Marketing assets indicate performance in line with typical seasonal trends, as expected; reflecting a somewhat softer activity during the early summer period and the

absence of major sports events. Activity is anticipated to pick up toward the end of the summer. The lower margin paid network in SubAffiliation continues to face headwinds, consistent with Q2 and previous quarter, while organic network is performing as expected.

With these words, we're now opening up for Q&A.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions]

Rikard Engberg

Analyst, DNB Carnegie Investment Bank AB

Good morning, guys. Rikard from DNB Carnegie here.

Q

Johan Per Carl Svensson

Co-Founder & Chief Executive Officer, Raketech Group Holding Plc

Good morning. Hi, Rickard.

A

Rikard Engberg

Analyst, DNB Carnegie Investment Bank AB

I have one question regarding the SubAffiliation segment. You're quite clear that the paid publisher network is down and in low activity. But when do you think that the organic publisher network can compensate for the lack of sales of the paid publisher network; is it near-term or is it more a long-term?

Q

Johan Per Carl Svensson

Co-Founder & Chief Executive Officer, Raketech Group Holding Plc

Organic, you're right; the paid was down in Q2. And we saw – on organic side, we saw revenues in line with Q1 given that it also was some seasonal effects from lower sport events. We are not disclosing the exact split between these areas. But we have a strong pipe on organic side and remains confident to grow organic side going forward.

A

Rikard Engberg

Analyst, DNB Carnegie Investment Bank AB

Okay. Thank you. And I'm also looking on your Affiliation Marketing assets. If you exclude Casumba, what do you say is the main reason for the quite strong momentum you have seen in the Nordics and the Italian markets, then?

Q

Johan Per Carl Svensson

Co-Founder & Chief Executive Officer, Raketech Group Holding Plc

We have seen stellar operating [ph] model (00:18:45) here. We have these new entrepreneur partnerships and we have seen a strong operational momentum. These guys, many of them is entrepreneurs which we acquired businesses from in the past. And, yeah, they have a very good track record and a good strategy for operating these type of assets.

A

So we're happy to see that we are seeing a 5% growth quarter-on-quarter, excluding Casumba. Casumba still remains very important, And the founders are still on board in the daily operations, so yeah.

Rikard Engberg

Analyst, DNB Carnegie Investment Bank AB

Q

Okay. Thank you. And looking at the rest of world, if we exclude Japan where you have the Casumba assets, do see any change in activity in Q2 compared to Q1 in, for example, Latin America?

Johan Per Carl Svensson

Co-Founder & Chief Executive Officer, Raketech Group Holding Plc

A

On SubAffiliation side, we saw in Q1 in – but Brazil has had a slower start than we have seen a bit higher activity in Q2. LatAm is still a big, big market for us. But we saw a bit higher activity in Q2 versus Q1.

Rikard Engberg

Analyst, DNB Carnegie Investment Bank AB

Q

Okay. Thank you. That was all for me.

Operator: There are no more questions at this time. So I hand the conference back to the speakers for any written questions and closing comments.

Måns Svalborn

Chief Financial Officer, Raketech Group Holding Plc

A

All right. We have a couple of written questions as well. There's one around our thoughts of potential future buyback of shares. And this typically is more of a board discussion. It's not something we normally comment on, unless you have something specific you wanted to highlight, Johan.

Johan Per Carl Svensson

Co-Founder & Chief Executive Officer, Raketech Group Holding Plc

A

Regarding the buybacks?

Måns Svalborn

Chief Financial Officer, Raketech Group Holding Plc

A

Uh-huh.

Johan Per Carl Svensson

Co-Founder & Chief Executive Officer, Raketech Group Holding Plc

A

No. Our [indiscernible] (00:21:00) to use the free cash flow to pay down earnout payments. That's the top priority.

Måns Svalborn

Chief Financial Officer, Raketech Group Holding Plc

A

There's another question around ChatGPT. Do you have an ongoing plan to gain users from ChatGPT and Google Overview for your affiliate website?

Johan Per Carl Svensson

Co-Founder & Chief Executive Officer, Raketech Group Holding Plc

A

Yes. It's still early days, and we haven't seen any impact on the Google Search yet for gambling-related keywords. We are working towards [indiscernible] (00:21:40). But that definitely it's a part of our – this development to be relevant for AI bots, but it's still early days.

Måns Svalborn

Chief Financial Officer, Raketech Group Holding Plc

A

Yeah. And there's specific question around AffiliationCloud. Can you say anything about the growth numbers of the AffiliationCloud platform?

So far we haven't disclosed the split with – at least not between paid and organic publishers. We might do so going forward. But as of now, what we can say around the number of revenue-generating publishers is that it's in line in Q2 – Q2 and Q1 are in line.

Johan Per Carl Svensson

Co-Founder & Chief Executive Officer, Raketech Group Holding Plc

A

It was one question. Will the TV commercial deals be possible to reach for AffiliationCloud customers?

So, for iGaming commercial deals for AffiliationCloud customers, but, yeah, if there is a demand, we have good relations with a Nordic TV and streaming provider. So it could be an option in the future.

Måns Svalborn

Chief Financial Officer, Raketech Group Holding Plc

Okay. That was actually the last question.

Johan Per Carl Svensson

Co-Founder & Chief Executive Officer, Raketech Group Holding Plc

Okay. Thank you all for listening in. And, hopefully, we see you again in November.

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