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Raketech Group Holding Plc (RAKE.SE)

Q3 2025 Earnings Call

CORPORATE PARTICIPANTS

Johan Per Carl Svensson

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

Måns Svalborn

Chief Financial Officer, Raketech Group Holding Plc

OTHER PARTICIPANTS

Rikard Engberg

Analyst, DNB Carnegie Investment Bank AB

MANAGEMENT DISCUSSION SECTION

Operator: Welcome to the Raketech Q3 2024 (sic) [2025] (00:06:09) 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 CEO, Johan Svensson; and CFO, Måns Svalborn. Please go ahead.

Johan Per Carl Svensson

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

Good morning and welcome to Raketech's Q3 presentation 2025. My name is Johan Svensson and I'm the CEO of Raketech. Today, CFO, Måns Svalborn and I are here to present our Q3 report.

Starting with financial highlights. The Casumba assets were divested on September 24 for €12 million, plus an interest component. The payment consideration will be paid over four years starting during Q4. The background for the divestment was the increased regulatory risk in the local region.

The continued operations, excluding Casumba assets, came in at €6.2 million in revenue for the quarter, an organic decrease of 42.2% year-on-year and down 9.6% compared to Q2. The vast majority of the revenue decline came from a Paid Publisher Network within SubAffiliation, where our paid publishers have continued to face operational challenges, and new traffic from these publishers has been minimal. Affiliation Marketing, excluding Casumba, saw a 7% year-on-year decline, partly impacted by no major football championship this summer.

Adjusted EBITDA for continued operations, excluding Casumba, amounted to €1.2 million, while reported EBITDA was €1.1 million with a free cash flow of €1.1 million. We secured our first larger exclusive publisher agreement for AffiliationCloud during the quarter and we saw good increase in revenue quarter-on-quarter, with organic network coming in on €0.9 million in revenue compared to €0.5 million in Q2.

Let's now review the performance of each business area, starting with Affiliation Marketing, as we call it, Raketech owned publishers. Excluding Casumba assets, our Affiliation Marketing portfolio came in at €4.3 million in

revenue. This portfolio, excluding the Casumba assets, has remained relatively stable over the past year, supported by a strong foundation in our Nordic assets across both sports and casino products. This year, there were no major football championship, which had an impact on the sport sales.

During the quarter, a new app of our popular TV sports guide was launched and has been well-received by users showing high levels of engagement. SubAffiliation performed in line with Q2. The main difference was the revenue split between the paid network and the strategically important organic network, where the organic network grew significantly quarter-on-quarter from €0.5 million in Q2 to €0.9 million in Q3.

During the quarter, we entered into an exclusive publisher agreement with the US-based publisher, which contributed to this growth. We do not anticipate a turnaround within the paid segment as our full focus remains on expanding organic publisher base, primarily in the US market and Sweden.

Going to the next slide, where I'd like to give you a brief overview of Raketeq's transformation in recent years and our platform-first strategy. Raketeq was founded in 2010, and during its first decade, the company had a focus on Affiliation Marketing product. These were operated from teams in-house and in partnerships with entrepreneurs, what we today refers to as entrepreneurial partnerships.

In addition to Affiliation Marketing, in the beginning of 2020, a smaller SubAffiliation network focused on paid was acquired, marking the beginning of a growth journey within paid SubAffiliation that peaked in 2023. In 2021, two acquisitions were completed in the US Tipster & Subscription segment, where betting tips were sold directly to end users. These assets have now been fully divested during 2025.

The share of our Affiliation Marketing portfolio operated through entrepreneurial partnerships has increased over the past year. The entire Affiliation Marketing portfolio, which we refer to as Raketeq owned publishers, is managed with high margins and generate strong cash flows. Excluding Casumba assets, these have maintained stable sales over the past year, all of which are important given our financial commitments.

Looking ahead, we see our next wave of growth coming from AffiliationCloud, our B2B platform that connects Raketeq owned publishers, external publishers and operators. By helping our partners optimize and monetize the traffic more effectively, we are taking performance to the next level. Our goal is simple, to deliver outstanding commercial service to every publisher and operator we work with. For external publishers, we are executing with sharp focus into high-value markets; the US and Sweden. These are the core markets, where we are building long-term strategic relationships and positioning Raketeq and AffiliationCloud as a preferred growth partner.

Let's move on to the next slide, where I will provide insights in how AffiliationCloud works and what we have improved with the product and implemented during the quarter. AffiliationCloud is currently used by Raketeq owned publishers, of which the majority are operated through entrepreneurial partnerships, also external publishers and operators, who are buying traffic from both Raketeq owned and external publishers. In addition to facilitating commercial agreements between publishers and operators, the platform provides its users with data insights, fast payments, ensures compliance, among other essential services.

During the quarter, we took important steps to make AffiliationCloud platform smarter and more efficient. We automated key processes from commission handling to deal request and compliance checks. This saves time and reducing the manual work. We also improved our data tools and advertiser information, making it easier for both our commercial team and publishers to find helpful business insights and act quickly on results. Altogether, these upgrades make the platform faster, more scalable, and ready to support both publishers and operators in our next growth phase.

Now, let's turn to the next slide and take a closer look at our commercial strategy. We will start with our exclusive commercial operator agreements. We have previously reported on our exclusive commercial operator agreements. We currently have a handful of these in total live and up and running, both in the US market and the Swedish market. We are continuously working to expand both existing partnerships and secure new agreements [ph] of this type. (00:13:24)

In practice, these agreements mean that Raketeq is the only affiliate network able to offer a deal with a specific operator. As a result, unless you are a major Tier 1 publisher, you must go through AffiliationCloud to establish a commercial deal and promote a specific operator. For operators, these models offer significant advantages. Through a single agreement with Raketeq, they can scale distribution and accelerate player acquisition, while we handle account management, including communication, compliance checks, KYC, and payment to the publishers.

Let's go to the next slide on exclusive publisher agreements. During the quarter, we secured our first larger exclusive publisher agreements. This means that we handle the sales of [ph] own inventory and manage own (00:14:16) commercial deals on behalf of the publishers. The advantage for the publisher is that they can fully focus on their product development and maximizing traffic to operators, while we take care of all sales, deal optimization, administration, the invoice for operators, and we pay the publishers on demand.

This type of partnerships is a key strategic focus for us, and we believe it will be more common as it becomes less cost-efficient for smaller publishers to build their own commercial departments, including sales, legal and compliance, and all related administrative. For Raketeq, it allows us to leverage on our existing commercial agreements and infrastructure. Together, we drive mutual growth and efficiency.

Now, I will hand over to Måns here for a deeper look into our financials.

Måns Svalborn

Chief Financial Officer, Raketeq Group Holding Plc

Let's start with the overall revenue picture for the quarter, which illustrates continued operations, and this means that the recently disposed Casumba assets are excluded in Q3 and all the comparative periods. Affiliation Marketing accounted for roughly 69% of total revenues in Q3, which is up in relative terms in line with expectations given the expected decline in paid network for SubAffiliation. We did see a bit softer performance within Affiliation Marketing compared to Q2, however, mostly driven by seasonality through slower sports activity and casino, which also experienced its usual seasonality.

Within SubAffiliation, what's encouraging to see is that our Organic Publisher Network continued to grow through AffiliationCloud, showing that our platform-first strategy and our investments in technology and partnerships are paying off. As Johan mentioned, the growth stems primarily from the expanded exclusive partnership with the US sporting, betting and casino publisher that went live in early August.

Moving on to revenue mix. The variations you see here are primarily driven by CPA activity and is an effect of the decline within the Paid Publisher Network. The growth within our US Organic Publisher Network, I mentioned on the previous slide, does, however, positively offset this, leaving us essentially in line with Q2. Also positive is that flat fees and rev share are relatively stable, showcasing continued demand from our assets within Affiliation Marketing.

EBITDA, excluding Casumba, remained stable compared to the previous quarter, excluding one-off and discontinued operations. Despite the somewhat softer top line, it shows that the cost discipline and efficiencies

we've worked on throughout the year are having a positive effect continuously. Compared to Q3 of last year, we're approximately down 27% in costs, excluding publisher costs. We're also lower in Q3 compared to Q2, an effect of the US assets that were disposed at the end of Q2. We did see some transitional costs relating to these assets still in Q3. And as such, we expect to see somewhat even [ph] lower cost (00:17:55) in the last quarter. We will also continue with cost discipline and adjust if need be as we move along.

Turning to cash flow. Cash conversion was reasonably stable in the quarter, broadly in line with EBITDA, however, somewhat impacted by a settlement of tax in the quarter. And the main differences between EBITDA and free cash flow were related to taxes, lease and interest payments and some smaller CapEx items, all within expectations. We also continued to settle earnouts, which we settled about €800,000 in the quarter and the remaining earnout balance will continue to be paid in partial installments through March 2028.

On the Casumba disposal, which closed at the end of September, the fixed consideration of €12 million will be paid in monthly variable installments through December 2029. At closing, that consideration was measured at a fair value roughly of about €7 million, reflecting both the time value of money and the underlying credit risk. And we will continue to assess this balance as we move along.

Now, back to Johan.

Johan Per Carl Svensson

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

Thank you, Måns. To summarize, before we open up for Q&A. Financials. Revenues, excluding divested Casumba assets, amounted to €6.2 million, adjusted EBITDA [ph] of €1.2 million, (00:19:24) representing a margin of 20% and an EBITDA of €1.1 million.

Some key takeaways per business area. Starting with Affiliation Marketing, as we refer to as Raketech owned publishers. Stable performance excluding divested Casumba assets, while revenue is partly impacted by no major football championship this summer.

SubAffiliation. SubAffiliation performed in line with Q2. The main difference was the revenue split between the paid network and the strategically important organic network. Our organic segment grew from €0.5 million in Q2 to €0.9 million in Q3. This growth is fully aligned with our commercial strategy and long-term focus on strengthening the organic publisher base.

Business outlook. The divestment of the Casumba assets has now been completed, which has required significant attention from the management team. We can now focus our efforts on further expanding AffiliationCloud and developing new exclusive partnerships. Preliminary October data shows that revenues from Raketech owned publishers were slightly below Q3 levels, while our external publishers on AffiliationCloud continues to gain momentum with additional exclusive partnerships in the pipe.

Overall, our focus is to strengthen the balance sheet and pay down the earnout liabilities as early as possible. We remain confident in our strategic direction, focusing on scalable technology, exclusive partnerships, and a balanced mix between Raketech owned and external publishers to drive long-term growth.

With this word, we're now opening up for Q&A.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] The next question comes from Rikard Engberg from DNB Carnegie. Please go ahead.

Rikard Engberg
Analyst, DNB Carnegie Investment Bank AB

Q

Good morning, guys.

Johan Per Carl Svensson
Co-Founder & Chief Executive Officer, Raketeq Group Holding Plc

A

Good morning.

Rikard Engberg
Analyst, DNB Carnegie Investment Bank AB

Q

Sir, my first question is related to the trading update. You say that you see a stable revenue from Affiliation Marketing to start of – at the start of the quarter. And first of all, hugely to Q4 and is that an accelerating quarter, making the later end of the quarter stronger and more important than the start of the quarter?

Johan Per Carl Svensson
Co-Founder & Chief Executive Officer, Raketeq Group Holding Plc

A

Good morning, Rikard. Yeah. Historically, December have always been stronger than the start of the Q4, yes.

Rikard Engberg
Analyst, DNB Carnegie Investment Bank AB

Q

Okay. Good. And second of all, looking at the Organic Publisher Network, you say that you see a strong positive momentum. Is that momentum on the same pace year-on-year as we report the numbers now in Q3? Or are you seeing an even accelerating momentum?

Johan Per Carl Svensson
Co-Founder & Chief Executive Officer, Raketeq Group Holding Plc

A

We see a good momentum and we have a good pipeline of new larger publishers. When this materialize into revenue, it's too early to predict.

Rikard Engberg
Analyst, DNB Carnegie Investment Bank AB

Q

Okay. Great. And can you also discuss this new US publisher partnership that's been live since August? Are you satisfied with the development?

Johan Per Carl Svensson
Co-Founder & Chief Executive Officer, Raketeq Group Holding Plc

A

Yes, we are. It's a milestone for us. [ph] We also have made a smaller investment in this US partnership, (00:23:28) and we secured a longer exclusive commercial agreement with them. And it's a milestone for us to – in previous investments, we have always taken the full operational responsibility for all acquisitions, but here we

made smaller investments, and we are acting as the commercial partner, which goes in line with our strategy for AffiliationCloud.

Rikard Engberg

Analyst, DNB Carnegie Investment Bank AB

Q

Okay. Great. And also this strategy of making strategic investments [ph] in years in publishers, (00:24:16) is that something that we should look for going forward as more common, or is this more of a one-off, so to say?

Johan Per Carl Svensson

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

A

We did this now, but it's not a part of the growth strategy. The growth strategy is to focus on the platform and the value it adds to external publishers and operators. Our main focus when it comes to the free cash flow is to strengthen the balance sheet and pay down the earnout liabilities.

Rikard Engberg

Analyst, DNB Carnegie Investment Bank AB

Q

Thank you. And one last question regarding the sale of Casumba. [ph] Here you're receiving monthly payments for the sale. And I guess, it may have come in as expected or since the sell-off – since the sale (00:25:06)?

Måns Svalborn

Chief Financial Officer, Raketech Group Holding Plc

A

Yeah. That's something we're going to comment on when we get to Q4, but we'll keep...

Rikard Engberg

Analyst, DNB Carnegie Investment Bank AB

Q

Okay. Okay.

Måns Svalborn

Chief Financial Officer, Raketech Group Holding Plc

A

...keep you guys updated on how that progresses for sure.

Rikard Engberg

Analyst, DNB Carnegie Investment Bank AB

Q

Okay. Fair enough. Thank you. That was all for me.

Måns Svalborn

Chief Financial Officer, Raketech Group Holding Plc

A

Thank you.

Johan Per Carl Svensson

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

A

Thank you, Rikard.

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

Johan Per Carl Svensson*Co-Founder & Chief Executive Officer, Raketeck Group Holding Plc*

Okay. Let's start with the questions.

A

Måns Svalborn*Chief Financial Officer, Raketeck Group Holding Plc*

So, first one, with the Casumba sale completed and the transition to a decentralized Affiliation Marketing model, where entrepreneurial partnerships now represent the clear majority of revenues, do you expect to free up resources to improve group margins and move closer to historical levels?

And for sure, we do expect to free up resources and that's work that has been ongoing for the last – during the year now. And definitely, we focus resources to the Organic Publisher Network and AffiliationCloud in particular. With regards to group margins, just the fact that we are increasing the relative share of SubAffiliation, which has a lower margin, if you go back to very historical levels, no, we're not looking to go back to those type of margin levels, but it's just an effect of the business mix we have at the moment.

Johan Per Carl Svensson*Co-Founder & Chief Executive Officer, Raketeck Group Holding Plc*

Yes. Next one, Affiliation Marketing excluding Casumba has shown steady 3% to 5% quarterly growth [ph] over the past four quarters, but now we see a reversal (00:27:30) in revenues down about [ph] €400,000 to €500,000 from Q2 and preliminary October data slightly lower than Q3 (00:27:37). Can you share what's driving this change and what actions you are taking to restore growth?

Yes. First of all, in Q2, we have some major sport events, which we didn't have in Q3, which is a part of the decline quarter-on-quarter. As well, these assets have a lot of SEO traffic, which could be [ph] volatile between (00:28:08) quarter-on-quarter. We believe in our strategy with these entrepreneurs we're working with, which have a good track record and we also believe in the team [ph] in-house operating assets – we're still operating in-house. (00:28:22) So, for us, it's business as usual where we adapt to – yeah, to the new market circumstances, which we have done for the last 10 years. We're working with Google to make sure that we constantly improve and adaptive.

Next one. Given that company will be more profitable without the SubAffiliation business, how do you view its strategic importance today? Is there a path to improving its profitability, or could it makes sense to focus more on Affiliation Marketing to lift overall margins?

Yeah. Well, we believe in our strategy with a platform and to both serve Raketeck owned publishers and external publishers with the best commercial service. As we have seen over the last two years, it could be volatile with high dependency on SEO traffic. So, our strategy is to scale up both external publishers, who like the platform, which is lower margins, but also to grow our Raketeck owned publishers. So, it's a mix where we like to lower the concentration risk in a certain product.

Måns Svalborn*Chief Financial Officer, Raketeck Group Holding Plc*

And the next question ties back to that as well. The question is, you're now approaching 100 FTEs in total. Back in 2019, Raketeck generated EBITDA margins around 50% on a roughly €5 million revenue base. What is different today in terms of structure, cost base or business mix that makes those historical margin levels harder to reach?

A

And it simply is because of the business mix with SubAffiliation and AffiliationCloud, which is a strong strategic approach we've taken. So, that is the simple answer to it.

Another question relates to software development. Payments have increased compared to last year. Can you provide some color on what's driving that increase and how you see this trend developing going forward?

So, this is exclusively tied again to the development of the platform AffiliationCloud. Looking ahead, we will continue to invest in it, but we don't foresee to see any significant increases going forward.

Johan Per Carl Svensson

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

A

You mentioned strong growth in Organic Publisher Networks supported by a new exclusive partnership. Could you elaborate on this business? Is revenue more stable compared to the rest of the sub-affiliation segment and how does its margin profile compare to the group average?

It's definitely more stable since we are selling all – the full inventory of this publisher. But we're, of course, dependent on the performance of all the publishers. That's why we like to expand this and onboard more exclusive publishers into AffiliationCloud. The margin is around the same gross margin as we have within the SubAffiliation segment.

Next one regarding the \$750,000 investment in US, sports betting and casino partnership. What are your key expectation for this collaboration [ph] over the next year in (00:32:11) terms of growth or strategic contribution?

We saw – as I mentioned earlier, we see this as – always as a milestone to secure a large exclusive publisher agreement and we like to expand and do [ph] more of this, not necessarily involving an (00:32:30) equity investment. And we believe in this partnership and in the product. So, we believe it will grow over the next year.

Måns Svalborn

Chief Financial Officer, Raketech Group Holding Plc

A

Next one, given the recent financial commitments and the developments and investments made in AffiliationCloud, should we expect the business to operate more leanly and deliver higher margins at the current revenue level going forward? And that current investments already supports the next wave of growth?

Looking at previous years, there seems to be an underlying earnings power that could be better leveraged. So, we definitely expect to operate more leanly, and that's an effect of the work we've done throughout the years, this year again. With regards to margin we covered this a little bit earlier, so it definitely depends on the mix versus revenue growth within SubAffiliation and Affiliation Marketing.

Johan Per Carl Svensson

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

A

I think we have the next ones are [ph] about the investments in US, which we've already – US function was already commented on. (00:33:48) I have a question here. How do you value the risk of ChatGPT, AI taking [ph] approximately 50% of the first-year traffic due to the fact that your sites are SEO (00:34:04) focused?

Good question. [ph] I don't agree with all this number (00:34:13) for iGaming and gambling search. We still – we haven't seen [indiscernible] (00:34:24) when you search for the most relevant keywords for casino and sports

betting. So, just – but it's important to adapt and to be relevant for not only SEO, also to be relevant for [ph] AI bots, but also to beyond SEO activities, which we're constantly (00:34:47) working on to lower our SEO dependency. All entrepreneurial partnerships and the team operating in-house are – it's a priority for them to be less dependent on SEO.

Another question here, [ph] why do you need to make an investment to win the commercial partner business? I guess this (00:35:18) refers to to exclusive partnership with US Publisher. In this case, we – [ph] if we wouldn't have liked the business and the company would of course not (00:35:32) have made an investment. It was a good opportunity to secure a minority stake in this company and as well as secure a large commercial agreement. But as commented on earlier, we don't expect to invest in all publishers, where we secure an exclusive agreement. Our main focus when it comes to the free cash flow is to strengthen the balance sheet and pay down our earnout liabilities as soon as possible.

Måns Svalborn

Chief Financial Officer, Raketech Group Holding Plc

A

And last one, when are the payments for the Casumba sale scheduled to start already as of closing or next year? And – they are scheduled to start in Q4 already.

Johan Per Carl Svensson

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

Good. That was all the questions. Thank you for all questions and thank you for listening in. And we hope to see you again in [ph] February 2026 in relation (00:36:09) to the Q4 report. Thank you.

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