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Numbers in line with profit warning

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Investment case

Structural growth: Raketech operates in one of the fastest-growing forms of entertainment, i gambling. As an affiliate company, it has opportunities in rapidly growing markets and to ride the global growth wave we see in this industry.

Solid balance sheet and cash flow generation: In recent years, Raketech has shown solid cash flow generation, paying out dividends in 2023. Affiliate companies have historically seen low valuations on account of high turnover and less successful acquisitions. We believe Raketech has succeeded recently in proving itself through value-creating acquisitions and the generation of sufficient cash flow to resolve earnouts, leading to a cleaner balance sheet going forward.

AffiliationCloud: Raketech owns the AffiliationCloud software, a business intelligence tool for both affiliates and operators. The software is expected to see annualised turnover of EUR10m and an EBITDA margin of 10–15% in H1(25). We consider the value of AffiliationCloud to be around EUR 30–50m if it can achieve this, thus representing a lasting component of Raketech's market share.

Company profile

Raketech is an affiliate company. This means it operates websites that provide clients – in its case, gaming operators like Kindred and Betsson – with end-customers. Raketech is paid a lump sum per depositing customer or via a share of the gaming profits from the customers it refers to an operator. Affiliate marketing is especially common in high growth markets, often being the first channel to open up. It is also flexible in emerging markets that lack regulation. The key growth market for Swedish affiliate companies today is the US, where Raketech is present thanks to acquisitions. Other important growth markets are Japan and South America.

Globally, about 30% of all gambling takes place online, while physical casinos and betting shops account for 70%. Growth in the i gambling sector is thus driven by two factors: increased gambling when the economy expands, and online rather than offline gambling. Affiliation is the chief form of marketing in unregulated markets, where the conversion rate is the highest.

Affiliate companies in general, and Raketech in particular, are the lowest valued entities in the gambling value chain. In 2019, when the sector began to be regulated, affiliates' valuations dropped sharply. These valuations are partly the result of several players experiencing low profit growth for some time, owing to dilution, despite solid revenue growth. We believe Raketech has now tidied up its business and will start to enjoy the high structural growth from the North and Latin American markets, among others.

Valuation

We have chosen to value Raketech using a DCF model. We believe Raketech should see its discount minimise versus other listed affiliates in the coming six to 12 months, and we thus see a fair value of SEK16–20 (18–22). We believe the diminishing uncertainty regarding earnouts will act as a share price catalyst.

As AffiliationCloud is still in its infancy, we do not include it in our valuation. Should it achieve the targeted revenues of EUR 10m, we would see an additional EUR 30–40m in fundamental value for Raketech.

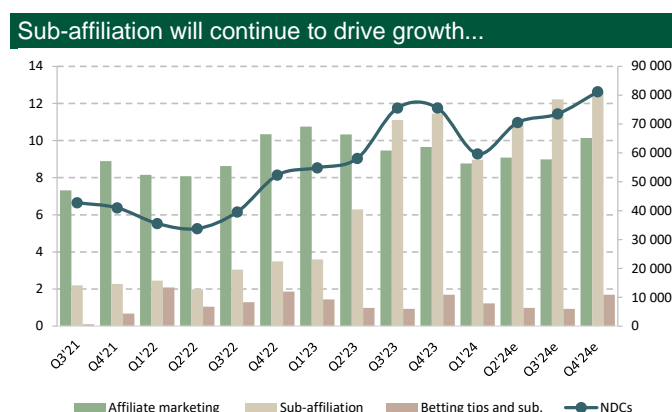
Brief overview of the quarter

Affiliate marketing: Revenues from the segment came in at EUR8.8m, a decrease of 21.9% Y/Y. This was caused by the Casumba subsidiary, which focuses on the Japanese market, seeing reduced traffic owing to the Google algorithm update in Q1 and early Q2. The Y/Y decrease and impact of the update were the primary reasons for the lower full-year 2024 guidance. During the quarter, the company has worked on reducing its dependence on Google's algorithms and increasing its share of organic traffic. Among other things, this has resulted in several close co-operations with larger players in partnerships and a widening of its geographical presence. We believe the segment will start showing growth Y/Y during H2(24) when these initiatives have been finalised.

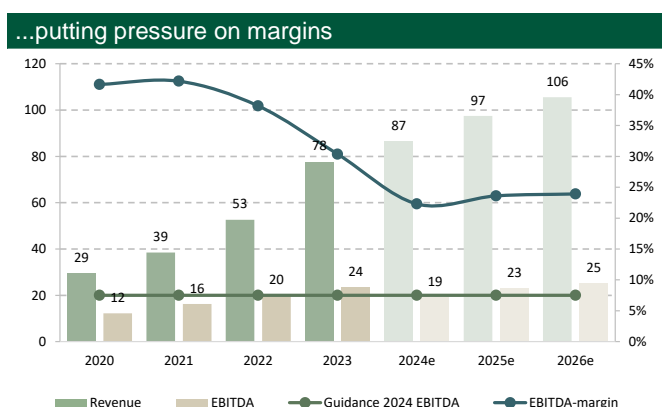
Sub-affiliation: Revenues from this segment reached EUR9.0m, demonstrating Y/Y growth of 150%. The services started to be rolled out in the US market during the quarter. The gross margin for this segment was 23%, up from 19% in Q1(23). The higher gross margin stemmed from a large proportion of contracts on revenue sharing. We believe the gross margin will drop back to its historical levels across the rest of our forecast period. Moreover, we expect the sub-affiliation model will be able to offset some of the volatility caused by Google's ongoing updates, given that its asset base is far larger than that of the affiliate marketing business.

Betting tips and subscription income: Revenues in this segment came in at EUR1.2m, showing a decline of 2.8% Y/Y. During the quarter, the company continued increasing the segment's subscription revenues.

Owing to the poor performance of the affiliate marketing segment, adjusted EBITDA was EUR5.1m for the quarter, implying a margin of 26.7%. Free cash flow before earnouts was EUR7m, as tied-up working capital decreased. In conclusion, we consider it reasonable to expect the company to move towards its guidance for EBITDA of EUR20m and free cash flow just under this. On the dividend front, we expect excess liquidity will be distributed, but that the company will be flexible if it believes buybacks or acquisitions would create greater value than dividends in the future.

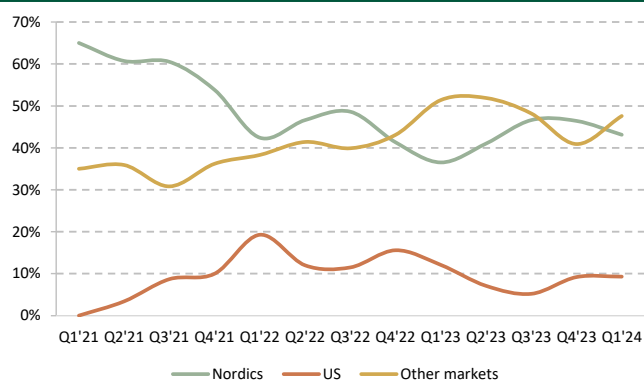


Source: Rakotech, Penser by Carnegie



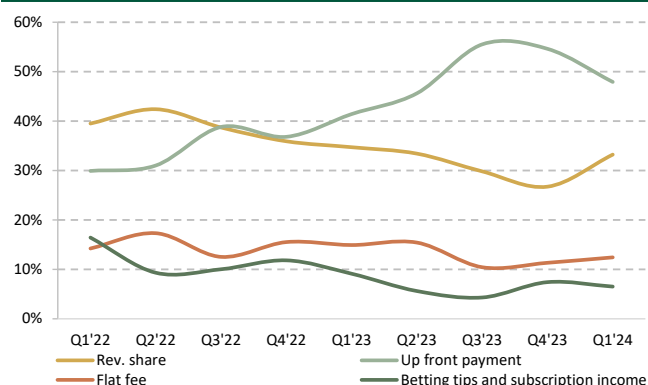
Source: Rakotech, Penser by Carnegie

Geographical mix



Source: Raketech

Product mix

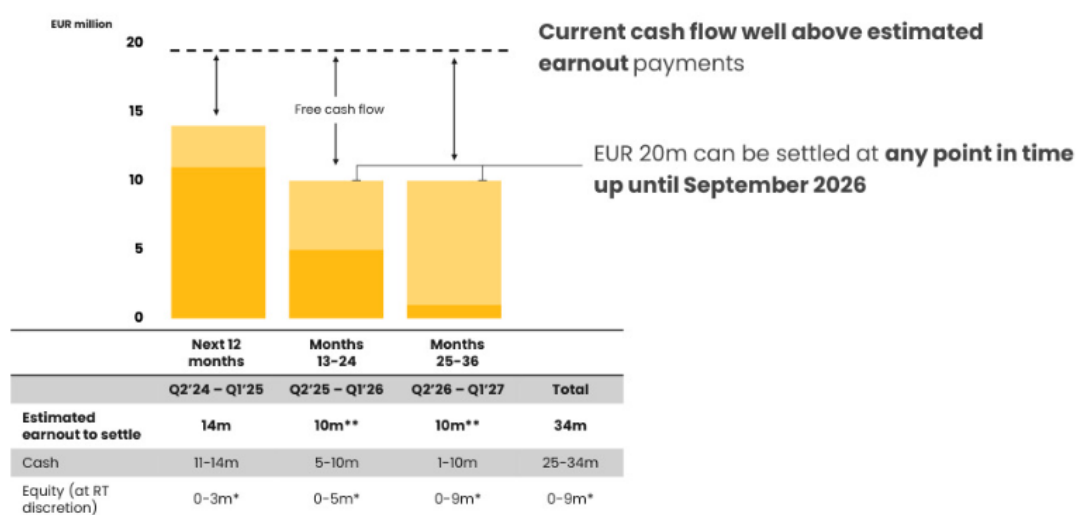


Source: Raketech

We believe free cash flow in the forecast period will be able to resolve earnouts

Financial flexibility for upcoming earnouts

Estimated earnout settlements



* Settlement in shares at full discretion of Raketech

** Can be settled at any point in time up until September 2026

Source: Raketech

Quarterly estimates

	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24e	Q2'24e	Q3'24e	Q4'24e
Affiliate marketing	8,2	8,1	8,6	10,3	10,8	10,3	9,5	9,7	8,8	9,1	9,0	10,1
Sub-affiliation	2,5	2,0	3,1	3,5	3,6	6,3	11,1	11,4	9,0	11,0	12,2	12,6
Betting tips and sub.	2,1	1,1	1,3	1,9	1,4	1,0	0,9	1,7	1,2	1,0	0,9	1,7
Total Rev.	12,7	11,1	13,0	15,7	15,8	17,6	21,5	22,8	19,0	21,1	22,1	24,4
COGS	-3,6	-2,7	-3,6	-4,3	-4,2	-6,6	-10,5	-11,3	-8,3	-10,7	-11,7	-12,6
Gross result	9,1	8,4	9,4	11,4	11,6	11,0	11,0	11,5	10,7	10,4	10,5	11,9
Employee costs	-2,1	-2,2	-2,1	-2,3	-2,3	-2,6	-2,5	-2,6	-3,2	-2,9	-2,8	-2,9
Other Costs	-1,9	-2,0	-1,9	-2,3	-2,8	-2,8	-2,9	-2,9	-3,2	-3,0	-3,0	-3,2
Depreciation & Amortisation	-1,9	-1,8	-1,9	-2,1	-2,3	-3,0	-3,4	-3,3	-3,0	-3,0	-3,0	-3,0
EBIT	3,3	2,4	3,6	4,7	4,2	2,5	2,2	2,8	1,3	1,6	1,7	2,8
Financial Costs	-0,3	-0,3	-0,4	-0,7	-0,7	-0,6	-0,4	-0,6	-0,8	-0,6	-1,1	-1,3
Profit before Tax	3,0	2,1	3,2	4,0	3,5	1,9	1,8	2,2	0,5	1,0	0,6	1,5
Tax	-0,3	-0,1	-0,3	-1,0	-0,2	-0,1	-0,3	-0,3	-0,2	-0,1	-0,1	-0,2
Profit after Tax	2,7	2,0	2,9	3,0	3,3	1,7	1,5	1,9	0,3	0,9	0,5	1,3
Affiliate marketing growth y/y					32%	28%	10%	-7%	-18%	-12%	-5%	5%
Growth Sub-affiliation y/y					46%	217%	264%	228%	150%	75%	10%	10%
Growth Betting tips and sub. y/y					-31%	-6%	-28%	-9%	-15%	0%	0%	0%
Gross Margin	72%	76%	73%	72%	73%	62%	51%	51%	56%	49%	47%	49%
EBITDA	5,2	4,2	5,5	6,8	6,5	5,5	5,6	6,0	4,3	4,6	4,7	5,8
EBITDA-margin	41%	38%	42%	43%	41%	31%	26%	27%	23%	22%	21%	24%
EBIT-margin	26%	21%	28%	30%	27%	14%	10%	12%	7%	7%	7%	12%
EPS	0,05	0,03	0,05	0,06	0,07	0,04	0,02	0,03	0,01	0,03	0,03	0,05

Source: Penser by Carnegie

Estimate changes

Estimates changes									
New estimates				Old estimates					
	2024e	2025e	2026e		2024e	2025e	2026e		
Net Sales	87	97	106	Net Sales	95	107	116		
COGS	-43	-51	-56	COGS	-47	-54	-60		
Operating Expenses	-25	-24	-25	Operating Expenses	-24	-26	-28		
Depreciation & Amortisation	-12	-12	-12	depreciation PPE	-12	-12	-12		
EBIT	7	11	13	EBIT	12	14	16		
Net Financials	-2	-2	-2	Net Financials	-1	-2	-2		
Profit Before Tax	5	9	12	Profit Before Tax	11	13	15		
Tax	-1	-1	-1	Tax	-1	-1	-1		
Profit After Tax	5	9	11	Profit After Tax	10	12	13		
EPS	0,1	0,2	0,2	EPS	0,2	0,3	0,3		
EBITDA	19	23	25	EBITDA	24	26	28		
Changes in estimates %									
Revenue	-9,1%	-8,9%	-8,9%						
EBITDA	-19,9%	-12,7%	-10,7%						
EPS	-59,3%	-26,9%	-21,4%						

Source: Penser by Carnegie

Valuation

DCF

Valuation output		WACC assumptions		Terminal value assumptions	
Sum of PV of FCF (explicit period)	72	Risk free nominal rate	2,5%	Long term growth rate	2%
PV of terminal value (perpetuity formula)	47	Risk premium	5,5%	Long term EBIT margin	26%
Enterprise value	120	Small cap premium	6,0%	Depreciation (% of sales)	2%
Latest net debt	37	Extra risk premium	2%	Capex (% of sales)	4%
Minority interests & other	0	Cost of equity	16,0%	Working cap. (% of sales)	5%
Equity value	83			Tax rate	12%
No. of shares outstanding (millions)	43				
Equity value per share	19				

Sensitivity analysis

Long-term growth rate						Long-term EBIT margin					
	1,0%	1,5%	2,0%	2,5%	3,0%		21%	24%	26%	23%	25%
15,0%	20	21	22	23	24	15,0%	17	20	22	19	21
15,5%	19	20	20	21	22	15,5%	16	18	20	17	20
WACC 16,0%	18	18	19	20	21	WACC 16,0%	15	17	19	16	18
16,5%	17	17	18	19	19	16,5%	14	16	18	15	17
17,0%	16	16	17	18	18	17,0%	13	15	17	14	16

Source: Penser by Carnegie

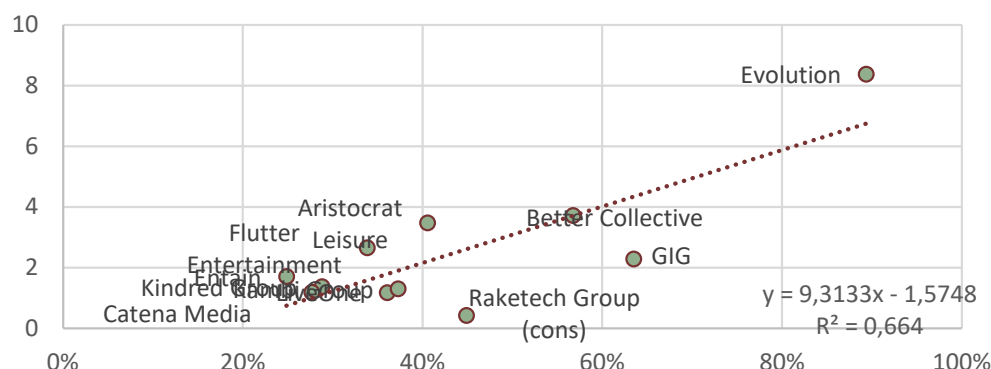
Peer group

Valuation	MCAP	EV	EV / Sales		EV / EBITDA		EV / EBIT		Price / Earnings						
		(SEK)	(SEK)	LTM	2024	2025	LTM	2024	2025	LTM	2024	2025	LTM	2024	2025
Gaming Innovation Group		4 141	4 982	3,49x	2,65x	2,28x	8,4x	7,0x	5,4x	14,2x	12,2x	8,3x	31,5x	16,8x	8,8x
LiveOne		1 920	2 271	1,88x	1,42x	1,18x	426,8x	11,8x	8,8x	--	203,3x	51,0x	(9,9x)	--	90,0x
Kindred Group		26 747	25 743	1,60x	1,46x	1,37x	9,0x	7,4x	6,5x	12,9x	9,9x	8,2x	38,5x	12,1x	10,3x
Kambi Group		3 341	2 844	1,43x	1,38x	1,31x	4,2x	4,4x	4,2x	11,2x	15,3x	13,8x	19,1x	22,3x	20,5x
Better Collective		18 555	20 532	5,48x	4,30x	3,72x	16,1x	13,2x	10,8x	21,6x	19,1x	15,0x	36,0x	28,0x	18,5x
Evolution		258 596	241 869	11,25x	9,76x	8,38x	16,0x	14,0x	11,9x	17,8x	15,4x	13,1x	20,3x	19,1x	16,2x
Flutter Entertainment		383 917	444 138	3,44x	2,97x	2,66x	23,9x	16,6x	13,1x	101,8x	48,0x	26,2x	--	32,3x	22,9x
Entain		68 217	116 497	1,84x	1,78x	1,71x	9,1x	8,5x	8,0x	21,3x	12,7x	10,9x	(5,2x)	21,7x	14,0x
Aristocrat Leisure		181 453	177 549	3,93x	3,71x	3,48x	11,9x	10,9x	10,1x	14,5x	13,2x	12,5x	18,0x	18,0x	16,6x
Catena Media		519	1 021	1,41x	1,36x	1,19x	11,4x	5,4x	4,0x	--	29,1x	9,7x	(0,7x)	--	8,0x
Raketech Group (cons)		522	518	0,64x	0,47x	0,42x	1,9x	1,8x	1,6x	3,6x	3,8x	3,0x	5,7x	4,7x	3,4x
Mean				3,31x	2,84x	2,52x	49,0x	9,2x	7,7x	24,3x	34,7x	15,6x	15,3x	19,4x	20,9x
Median				1,88x	1,78x	1,71x	11,4x	8,5x	8,0x	14,5x	15,3x	12,5x	18,5x	19,1x	16,2x

Source: Factset

Value creation

Rake has a high value creation compared to peers (X-value creation, Y EV/Sales 2025)



Source: Factset

Income statement									
	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Net sales	26	24	29	39	53	78	87	97	106
Cost of goods sold	-2	-4	-8	-11	-16	-33	-43	-51	-56
Gross profit	23	20	21	27	37	45	43	47	50
Other Operating Expenses	-11	-7	-9	-11	-17	-21	-24	-24	-25
EBITDA	13	13	12	16	20	24	19	23	25
Items affecting comparability	-	-	-	-	-	-	-1	-	-
EBITDA, adjusted	13	13	12	16	20	24	19	23	25
EBITA, adjusted	13	13	12	16	20	24	19	23	25
Amortization	-2	-5	-5	-7	-8	-12	-12	-12	-12
EBIT	11	8	7	9	12	12	7	11	13
EBIT, adjusted	11	8	7	9	12	12	7	11	13
Net Financial Items	-6	-1	-1	-2	-2	-4	-2	-2	-2
Profit before tax	5	7	6	8	10	7	5	9	12
Profit before tax, adjusted	5	7	6	8	10	7	5	9	12
Taxes	0	0	0	-1	-2	-1	-1	-1	-1
Net income	5	7	6	7	8	7	4	9	11
Net income, adjusted	5	7	6	7	8	7	5	9	11
<i>Sales Growth</i>	<i>Neg.</i>	<i>-6%</i>	<i>23%</i>	<i>31%</i>	<i>37%</i>	<i>48%</i>	<i>11%</i>	<i>13%</i>	<i>8%</i>
<i>Gross Margin</i>	<i>91.6%</i>	<i>85.1%</i>	<i>73.0%</i>	<i>70.2%</i>	<i>70.0%</i>	<i>57.8%</i>	<i>50.1%</i>	<i>47.9%</i>	<i>47.3%</i>
<i>EBIT Margin, Adjusted</i>	<i>43.8%</i>	<i>35.0%</i>	<i>23.3%</i>	<i>24.5%</i>	<i>23.6%</i>	<i>15.0%</i>	<i>8.4%</i>	<i>11.3%</i>	<i>12.5%</i>
<i>EPS, Adjusted</i>	<i>0.12</i>	<i>0.19</i>	<i>0.15</i>	<i>0.18</i>	<i>0.20</i>	<i>0.15</i>	<i>0.11</i>	<i>0.20</i>	<i>0.25</i>
<i>EPS Growth, Adjusted</i>	<i>N.m.</i>	<i>57%</i>	<i>-19%</i>	<i>19%</i>	<i>9%</i>	<i>-21%</i>	<i>-27%</i>	<i>79%</i>	<i>24%</i>

Source: Raketeck Group Holding, Penser by Carnegie

Cash flow statement									
	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
EBIT	11	8	7	9	12	12	7	11	13
Other Cash flow Items	2	3	5	7	8	12	12	12	11
Changes in working capital	-2	0	0	-2	-1	-2	1	-1	0
Cash flow from operating activities	11	11	12	15	19	21	19	22	24
Investments in intangible fixed assets	-17	-9	-13	-15	-13	-6	-15	-2	-2
Other Cash flow from investments	0	0	3	-14	0	-	-	-	-
Cash flow from Investments	-17	-9	-10	-29	-13	-6	-15	-2	-2
Free cash flow	-5	3	3	-14	6	16	5	20	22
New share issue / repurchase	32	-6	-2	12	0	0	0	0	0
Change in liabilities	-23	0	0	-1	-1	-5	-3	-10	-21
Dividends	-	-	-	-	-	-4	0	-4	-5
Other items	0	0	0	0	0	-2	-1	-2	-2
Cash flow from financing	10	-6	-2	12	-1	-11	-4	-16	-27
Cash flow	4	-3	1	-2	5	5	0	4	-6
Net debt	0	-1	-3	12	7	-3	-4	-8	-3

Source: Raketeck Group Holding, Penser by Carnegie

Balance sheet									
	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
ASSETS									
Goodwill	0	0	0	4	1	1	1	1	1
Other intangible assets	66	73	81	124	131	139	129	119	109
Total fixed assets	66	74	81	128	132	141	130	120	110
Accounts receivable	4	4	5	6	8	12	12	13	14
Cash and cash equivalents	8	4	5	3	8	13	14	18	13
Total current assets	12	8	10	9	16	25	26	31	27
TOTAL ASSETS	78	82	91	137	148	166	157	152	137
EQUITY AND LIABILITIES									
Equity	59	65	71	85	97	99	104	109	114
Total equity	59	65	71	85	97	99	104	109	114
Long-term interest-bearing liabilities	8	3	0	0	0	0	0	0	0
Other long-term liabilities	5	7	10	20	26	31	23	13	3
Total long-term liabilities	13	10	10	20	26	31	23	13	3
Short-term interest-bearing liabilities	0	0	2	15	15	10	10	10	10
Accounts payable	4	2	2	3	4	7	7	8	9
Other current liabilities	3	5	6	15	6	19	12	12	1
Total current liabilities	7	7	10	32	25	35	29	30	20
TOTAL EQUITY AND LIABILITIES	78	82	91	137	148	166	157	152	137

Source: Raketeck Group Holding, Penser by Carnegie

Growth and margins									
	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Revenue growth	Neg.	-6%	23%	31%	37%	48%	11%	13%	8%
EBITDA growth, adjusted	Neg.	0%	-5%	33%	24%	17%	-18%	19%	10%
EBIT growth, adjusted	Neg.	-25%	-18%	38%	32%	-6%	-37%	51%	20%
EPS growth, adjusted	N.m.	57%	-19%	19%	9%	-21%	-27%	79%	24%
Gross margin	91.6%	85.1%	73.0%	70.2%	70.0%	57.8%	50.1%	47.9%	47.3%
EBITDA margin	50.5%	53.9%	41.7%	42.2%	38.2%	30.4%	21.4%	23.6%	23.9%
EBITDA margin, adjusted	50.5%	53.9%	41.7%	42.2%	38.2%	30.4%	22.3%	23.6%	23.9%
EBIT margin	43.8%	35.0%	23.3%	24.5%	23.6%	15.0%	7.5%	11.3%	12.5%
EBIT margin, adjusted	43.8%	35.0%	23.3%	24.5%	23.6%	15.0%	8.4%	11.3%	12.5%
Profit margin, adjusted	17.8%	29.9%	19.8%	18.9%	16.0%	8.5%	5.5%	8.8%	10.1%

Source: Raketeck Group Holding, Penser by Carnegie

Return									
	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
ROE, adjusted	Neg.	12%	9%	9%	9%	7%	5%	8%	10%
ROCE, adjusted	Neg.	12%	10%	11%	12%	11%	7%	9%	11%
ROIC, adjusted	Neg.	14%	10%	11%	12%	12%	7%	11%	12%

Source: Raketeck Group Holding, Penser by Carnegie

Capital efficiency									
	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Accounts receivable / total revenue	17%	17%	17%	16%	15%	15%	14%	13%	13%
Accounts payable / COGS	>100%	47%	31%	22%	27%	20%	17%	16%	16%
Total short-term liabilities / total cost	52%	64%	60%	>100%	78%	65%	43%	40%	24%
Working capital / total revenue	-9%	-12%	-12%	-28%	-5%	-17%	-9%	-7%	4%

Source: Raketeck Group Holding, Penser by Carnegie

Financial position									
	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Net debt	0	-1	-3	12	7	-3	-4	-8	-3
Equity ratio	75%	79%	78%	62%	65%	60%	67%	72%	83%

Source: Raketeck Group Holding, Penser by Carnegie

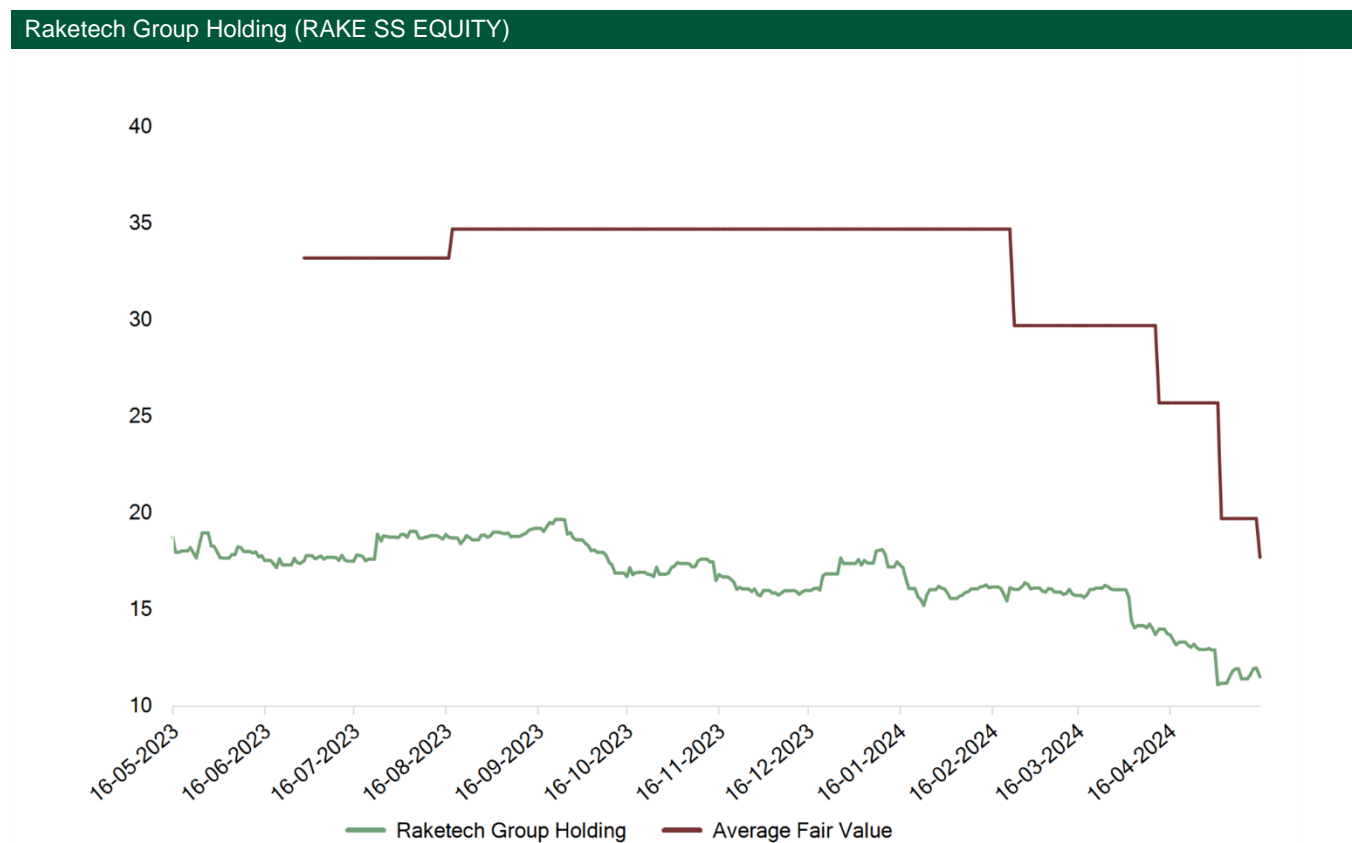
Per share data									
	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
EPS	0.12	0.19	0.15	0.18	0.20	0.15	0.09	0.20	0.25
EPS, adjusted	0.12	0.19	0.15	0.18	0.20	0.15	0.11	0.20	0.25
FCF per share	-0.13	0.07	0.07	-0.34	0.13	0.37	0.11	0.47	0.51
Dividend per share	0.00	0.00	0.00	0.00	0.09	0.00	0.08	0.10	0.12
Book value per share	1.53	1.70	1.83	1.99	2.22	2.35	2.44	2.55	2.68
Number of shares, m	38.3	38.3	38.8	42.7	43.5	42.3	42.7	42.7	42.7
Number of shares after dilution, average	38.3	38.3	38.5	40.7	43.1	42.9	42.5	42.7	42.7

Source: Raketeck Group Holding, Penser by Carnegie

Valuation									
	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
P/E, adjusted	16.2x	4.8x	7.1x	13.0x	8.2x	10.3x	9.0x	5.0x	4.1x
P/BV	1.3x	0.5x	0.6x	1.2x	0.7x	0.7x	0.4x	0.4x	0.4x
P/FCF	Neg.	12.8x	15.6x	Neg.	12.1x	4.3x	9.3x	2.1x	2.0x
FCF-yield	Neg.	8%	6%	Neg.	8%	23%	11%	47%	50%
Dividend yield	0.0%	0.0%	0.0%	0.0%	5.9%	0.0%	7.9%	9.9%	11.8%
Payout ratio, adjusted	0.0%	0.0%	0.0%	0.0%	48.1%	0.0%	71.1%	49.6%	48.2%
EV/Sales	2.9x	1.4x	1.3x	2.8x	1.4x	0.9x	0.9x	0.8x	0.8x
EV/EBITDA, adjusted	5.6x	2.6x	3.0x	6.6x	3.7x	2.8x	4.1x	3.5x	3.2x
EV/EBIT, adjusted	6.5x	3.9x	5.4x	11.4x	6.0x	5.7x	11.0x	7.3x	6.0x
EV	73	33	37	107	74	67	80	80	80
Share price, year end	19.5	9.5	10.8	23.9	17.7	17.7	11.8	11.8	11.8

Source: Raketeck Group Holding, Penser by Carnegie

Share Price and Average Fair Value Chart



Source: Penser by Carnegie, IDC

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