# Raketech

Sector: Digital Entertainment/Gambling

## Raketech: Positioned for continued expansion

Redeye initiates coverage on Raketech which is a tech-focused affiliate and performance marketing group focused on online gambling with a solid growth track record. The company is well-positioned for continued global expansion with a strong balance sheet and untapped growth opportunities.

### Tech-focused affiliate and performance marketing group

Raketech's global business is centered around affiliation marketing built on a handful of flagship assets generating recurring revenues and strong profitability. This is complemented by a B2B offering towards operators and smaller affiliate companies. The company furthermore offers consumer subscription services with sport betting tips which also drives traffic and support content generation.

### Solid growth track record

Since its listing in 2018, Raketech has increased revenue from EUR26m to around EUR76m in 2023E. The growth has been driven by organic growth coupled with selected M&A which has expanded its geographic footprint and product offer.

### Well positioned for continued growth

With a solid track-record, a strong balance sheet and underlying market tailwind we forecast continued growth for Raketech in the coming years. We forecast revenue CAGR of 26% in 2022-25E and EBITDA to grow 50% in the same period. The share currently trades at an attractive valuation at 4x 2024E EBITDA while our base case of SEK40 (upside of c150%) implies 8x EV/EBITDA 2024E.

| Key Financials (EURm) | 2021 | 2022 | 2023E | 2024E | 2025E |
|---|---|---|---|---|---|
| Sales | 42 | 53 | 77 | 92 | 101 |
| Sales growth | 41% | 27% | 46% | 20% | 10% |
| EBITDA | 19 | 20 | 23 | 26 | 30 |
| EBIT | 12 | 12 | 11 | 12 | 15 |
| EBIT Margin (%) | 30% | 23% | 14% | 13% | 15% |
| Net Income | 10 | 8 | 7 | 11 | 14 |
| | | | | | |
| EV/Sales * | 2.6 | 1.5 | 1.4 | 1.2 | 1.1 |
| EV/EBITDA * | 5.6 | 3.9 | 4.6 | 4.2 | 3.6 |
| EV/EBIT * | 8.7 | 6.4 | 9.8 | 9.1 | 7.1 |

*Including Casumba Media Earnout*

### FAIR VALUE RANGE

| BEAR | BASE | BULL |
|---|---|---|
| 14 | 40 | 80 |

### RAKE VERSUS OMXS30

### REDEYE RATING

|  | People | Business | Financials |
|---|---|---|---|
|  | 3 | 3 | 3 |
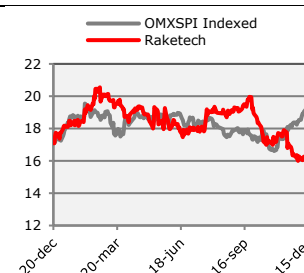
### KEY STATS

| Ticker | RAKE.ST |
|---|---|
| Market | First North |
| Share Price (SEK) | 16 |
| Market Cap (SEKm) | 696 |
| Net Debt 2022 (EURm) | 12 |
| Free Float (%) | 83 |
| Avg. daily volume ('000) | 100 |

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# Investment Case

## Case

**Fast-growing tech-focused affiliate performance marketing group with a growing global footprint**

We expect Raketech to continue its global expansion in the coming years, driven by growth in Asia, US and South America. We forecast a topline CAGR of 24% over 2022-25E. The growth in Asia is driven by the company's strong position in Japan which is a market with low online gambling penetration. The company has an untapped growth opportunity in the US where revenue mainly derives from betting subscriptions while it just recently started to monetize on lead generation. In South America, where the company has an emerging position, several markets are regulating online sports betting and casino and with low penetration the upside is significant. Finally, Raketech's AffiliationCloud business, which is in its early days, provides upside optionality to our long-term growth forecasts.

## Evidence

**Solid track-record and strong flagship assets**

Since its listing in 2018, Raketech has successfully broadened its portfolio from mainly Nordic exposure to a global footprint while also expanding its product mix. The company has grown substantially with revenue increasing from EUR26m in 2018 to EUR76m in 2023E. While growth has varied on an annual basis, the company has overachieved its target of 10% organic growth and 20% acquired growth. This provides credibility for future growth ambitions. Raketech has further been able to sustain strong performance from flagship assets, which further provides additional support to our forecasts.

## Challenge

**Competitive market and AffiliationCloud in the early phase**

While the online gambling affiliation market has seen significant consolidation in recent years, there is still strong competition, especially in growth markets such as US and South America. Tough competition could result in slower growth than expected while it could also mean weaker profitability if more investments are needed to support traffic generation. While we have a conservative forecast for the AffiliationCloud, a negative scenario could result in misallocated capital which would impact the group's overall growth and profitability.

## Catalysts

The key catalysts for Raketech are:

- Increased affiliation-based revenue from US
- Growth of AffiliationCloud
- Settlement of earnouts in Casumba
- Breakthrough in new markets such as South America

## Counter-Points

The key counter-points in the investment case are:

- Slower growth in mature Nordic markets holding back overall growth
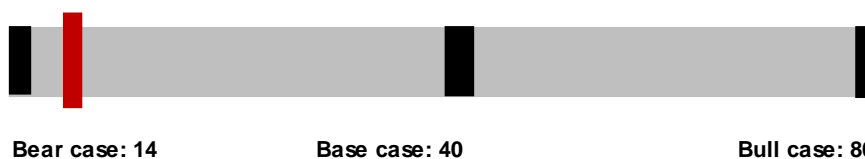- AffiliationCloud suffers from winner's curse, seeing clients leave as they get large

- High concentration to Japan creates a risk to regulatory changes
- Price pressure on CPA-based revenue resulting in slower growth

## Valuation

Our DCF-valuation indicates a base case of SEK40, implying an upside of 150%, while the bull case is SEK80 and the bear case SEK14. Our valuation includes full payment of the Casumba Media earnout of which EUR33m is in cash and EUR13m in equity (fully diluted shares of 51.3m). Our base case implies an EV/EBITDA multiple of 8x 2024E while the share currently trades at 4x EV/EBITDA including earnouts. The company currently trades at the lower end of its historical range while it also trades at a discount compared to its peers, which also implies upside potential.

**Raketech: Fair value range, SEK per share**

**Share price: 16**

**Bear case: 14**          **Base case: 40**                          **Bull case: 80**

*Source: Redeye Research*

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# Company Description

## Introduction to Raketech

**Tech-focused affiliate and performance marketing company with growing global footprint**

Raketech is a digital performance marketing company focused on affiliate marketing in the online gambling industry. The company is primarily engaged in lead generation and data analytics which it offers to online casino and sports betting operators. The company also provides B2B services to other affiliate marketing companies while it furthermore offers betting tips through a subscription B2C model. The overall goal for Raketech is to generate high-quality leads and targeted advertisement spaces by providing relevant and engaging content to users interested in sports, casino, and betting.

The company has three business areas divided into Affiliation, Sub-affiliation and Betting Tips & Subscription. Affiliation is Raketech's core business and derives revenue by matching engaged online casino and sports bettors with operators. Historically, this has been the largest business area generating around two thirds of the total group revenue. However, in 2023 the Sub-affiliation segment has grown fast, and we estimate that it will generate almost as much revenue as Affiliation for 2023E. Sub-affiliation derives most of its revenue from paid media through sub-affiliates that delivers player leads to operators by paid links via Google and Facebook etc. A smaller part comes from the recently launched B2B product AffiliationCloud, which is a SaaS platform offered to other affiliate companies. The smallest segment is Betting Tips and Subscription with around 6% of 2023E total revenue and offers betting tips to consumers via subscription.

Raketech has its roots in the Nordics and this region generated more than 90 percent of the groups' revenue when it was listed in 2018. However, while it still represents its largest market with close to half of the revenue in 2023E the company has substantially increased its share of revenue from markets outside the Nordics. This growth has been executed through strategic M&A's where the company has expanded its footprint in fast growing markets such as US, South America and Japan. Today, the company employs over 200 people (including contractors) based in offices in the Nordics, Europe, Americas, and Asia.

**Raketech: Revenue per segment 2023E**



■ Affiliation   ■ Sub-affiliation   ■ Betting Tips
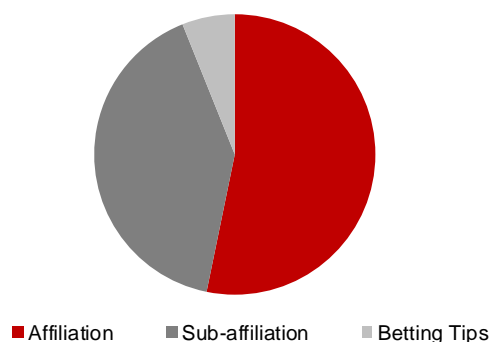
*Source: Redeye Research*

**Raketech: Revenue per region 2023E**



■ Nordics   ■ Rest of Europe   ■ US   ■ Rest of World
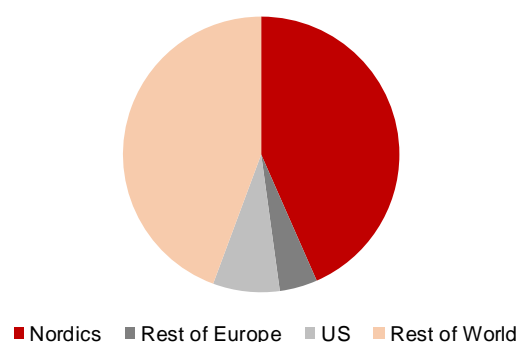
*Source: Redeye Research*

## Company History

**From small scale poker affiliation to a global innovative online gambling marketing group**

Raketech was founded in 2010 by Johan Svensson and Erik Skarp who are still engaged in the group (Svensson is Chief Commercial Officer and Skarp is member of the board) as well as large shareholders holding 16% shares combined. Initially, the company was mainly focused on affiliation within online poker but expanded its focus towards online casino in 2015. During 2015-17 the company made several acquisitions, including among other Casinoguide.se and TVmatchen which still are core assets for Raketech's Nordic region today. In total, Raketech carried through 21 acquisitions ahead of its IPO in 2018.

In June 2018, Raketech was listed on Stockholm First North Premier at a price of SEK30, representing a market capitalization of cEUR105m. Through the IPO, Raketech raised around EUR36m of capital which supported a continued M&A driven growth strategy. The company continued to carry out acquisitions, but with a focus of expanding its footprint outside the Nordic region. Notable acquisitions include Casumba Media which has generated a strong footprint in Japan as well as ATS Consultants, American Gambler and P&P Vegas which has established the group in the US. For a short period, Raketech also had an operation within consumer financial performance marketing, but this was divested in 2020.

The expansion outside the Nordics followed a strategy change in late 2019 when the company's current CEO, Oskar Mühlbach, retained his role. The new strategy was aimed at strengthening Raketech's flagship products and expansion into new geographic regions. The new strategy also aimed to increase revenue mix from sports and monetize its tech platform. On the back of this, the company developed the B2B product AffiliationCloud, which is a software platform that connects casino and sports betting operators with other affiliates. The product was launched in early 2022 and had onboarded 20 clients in its first year. During 2023, the company has continued to execute the strategy with continued growth of revenues outside the Nordics, while it also has seen strong growth from paid media driving growth in the Sub-affiliation segment.

In summary, the company has since it was founded in 2010 grown from a small-scale online poker affiliate to an innovative online gambling performance marketing group with a global footprint. The chart below summarizes Raketech's historical timeline highlights.

**Raketech: Company history timline**
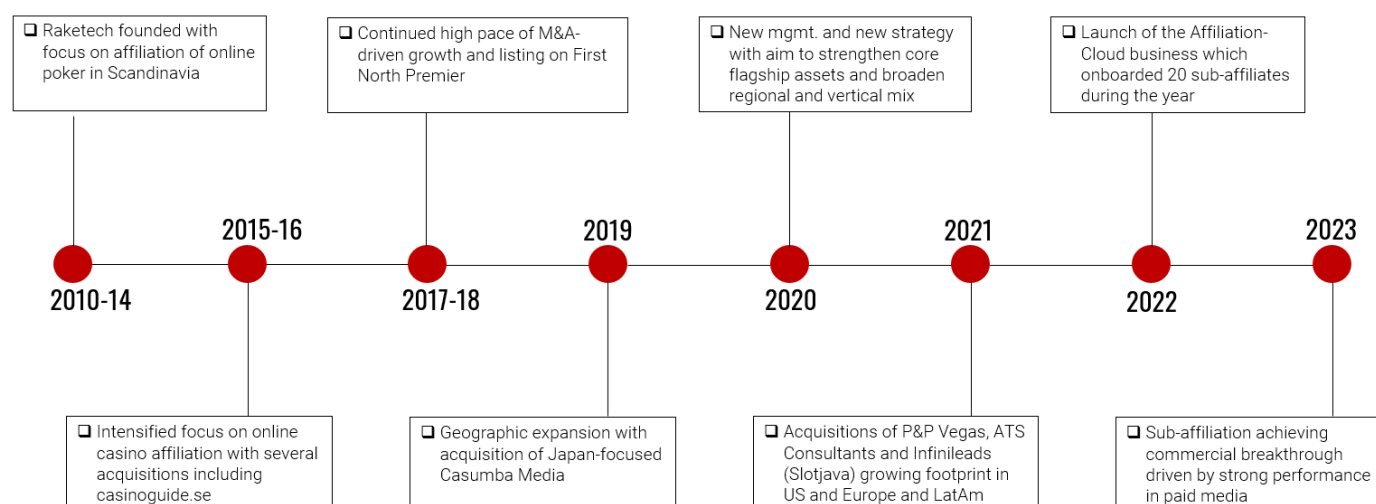


*Source: Raketech (data), Redeye Research (chart structure)*

## Management and Board

### Solid management and board with strong market insight

Raketech has been lead by CEO Oskar Mühlbach since late 2019 at which time Måns Svalborn also joined as CFO. Johan Svensson, one of the founders, serves as the group's CCO, while the other co-founder, Erik Skarp, is a board member. Dalia Turner recently joined Raketech as Chief of People Officer and earlier this year Andrea Canadian was recruited as Chief Technology Officer. The board is chaired by Ulrik Bentgsson who has extensive experience in the online gambling sector as Group Chief Executive Officer at William Hill and Group Chief Executive Officer and President at Betsson. The board further consists of Clare Boynton with extensive background in finance, Marina Andersson with strong M&A experience from Stillfront and Patrick Jonker with background in the online gambling segment as MD at Betsson Group. In summary, we believe the management team and board have strong market insight and are well composed.

| Management team | | | | |
|---|---|---|---|---|
| Name | Position | Since | Ownership | Experience |
| Oskar Mühlbach | CEO | 2019 | 235k shares (c 0.6% of capital) and 681k w arrants. | Oskar Mühlbach became Raketech's CEO in December 2019, after joining as a Senior Advisory Consultant in 2018 and later being appointed COO in May 2019. Mühlbach has extensive experience in senior roles at major Nordic e-commerce and iGaming companies, such as Mr Green Ltd, Lensw ay and Footw ay Group. Mühlbach holds a Master of Science in Engineering/Industrial Management from Luleå University of Technology. |
| Måns Svalborn | CFO | 2019 | 70k shares (c 0.2% of capital) and 227k w arrants. | Måns Svalborn became CFO of Raketech Group Holding PLC in 2019. Svalborn brings experience from his previous roles as CFO at Credorax Bank Limited and senior positions at Nordea Bank during 2016-18. Furthermore, he has background as Group Finance Manager at the Öhman Group until 2015. Svalborn holds a Master's of Science in Business and Economics from Uppsala University. |
| Oscar Karlsten | COO and MD of AffiliationCloud | 2020 | 100k shares (c 0.2% of capital) and 267k w arrants. | Oscar Karlsten joined Raketech as COO in May 2020 and since January 2023 he is also Managing Director of AffiliationCloud. Before Raketech, Karlsten held senior positions at Catena Media from 2018 to 2020, and previously he w as Project Manager of Cross Promotion at Toca Boca until 2015. Karlsten holds a Master's in Business and Marketing and a Bachelor's in Business and Economics |
| Johan Svensson | CCO and founder | 2022 | 3.3m shares (c 7.8% of capital). | Johan Svensson is one of the founders of Raketech and served as its CEO until 2017. Since 2022, he is the groups Chief Commercial Officer, follow ing a few years focusing on M&A and business integrations. Additionally, he is the founder and board member of BetHard Group Ltd and holds board positions at Gameday Group Ltd and Akterbog Ltd. Svensson is educated at Af Champman Gymnasiet Karlskrona. |
| Andrea Canadian | CTO | 2023 | 0 shares. | Andrea Candian took on the role of Chief Technology Officer at Raketech in May 2023, follow ing a career that included positions at European and American scale-ups, w ith notable roles at Spectrm (an AI-driven marketing automation firm) and Vision-Box (a global biometrics platform specializing in seamless travel, automated border control, and digital identity solutions) before joining Raketech. |
| Dalia Turner | CPO | 2023 | 0 shares. | As Chief of People Officer, Dalia Turner is responsible for overseeing strategic HR leadership for Raketech's global w orkforce, strengthening the company's culture, and facilitating its grow th. She joined Raketech after leading the grow th of a team from 300 to over 600 employees at Feedzai. Throughout her career, she has managed people strategy, talent and performance, leadership development, and organizational culture across various countries. |

*Source: Company, Holdings, Redeye Research*

## Board of Directors

| Name | Position | Since | Ownership | Experience |
|------|----------|-------|-----------|------------|
| Ulrik Bengtsson | Chairman of the Board | 2021 | 50k shares (c 0.1% of capital). | Ulrik Bengtsson was elected as chairman of Raketech's board in May 2021. Previously, he has been CEO at William Hill and Betsson, and was also William Hill's Chief Digital Officer. He has also held leading positions at Viasat and MTG. Presently, besides his role at Raketech, he is an advisor and board member at Game Nation. Bengtsson holds a Bachelor of Commerce from Dalhousie University. |
| Erik Skarp | Board Member and founder | 2016 | c 3.4m shares (c. 7.9% of capital) | Erik Skarp is together with Johan Svensson one of the two founders of Raketech. In addition to being a board member, Skarp is also the chairman of Raketechs Nomination comittee. He is furthermore one of the founders of Bethard were he also holds the position as CEO. Skarp holds a upper secundary education from Polhemsskolan in Lund. |
| Clare Boynton | Board Member | 2022 | 0 shares. | Clare Boynton was elected to the board in May 2022. Boynton currently holds the positions of Portfolio Finance Director and Chief Finance Officer at The CFO Centre Limited, managing the finances of growing SMEs. Previously, she has held leading positions at KFC UK & Ireland, Amazon and More Than Insurance. Boynton holds a Bachelor's degree in Economics & Accounting from University of Bristol. |
| Marina Andersson | Board Member | 2023 | 0 shares. | Marina Andersson joined the board in 2023 and brings over 15 years of senior corporate development and M&A experience from both Stillfront Group and Deloitte. In addition to this, she has also worked with financial strategic advisory, transaction structuring, financial analysis, and company valuation at Carnegie and ICE Capital. Andersson has a Master in Business Administration from Stockholm University. |
| Patrick Jonker | Board Member | 2023 | 0 shares. | Patrick Jonker was elected as board member in 2023. Jonker is an independent consultant advising igaming companies with focus on strategy and commercial improvements. He has previous experience from online gambling as CEO of Hero Gaming as well as managing director at Betsson and William Hill. Jonker has a Bachelor's degree in management economics and law from the Amsterdam University. |

*Source: Company, Holdings, Redeye Research*

## Owners

**Founders remain large shareholders**

Raketech has a strong owership structure with founders Erik Skarp and Johan Svensson each holding around 8% of shares. In addtion, other members of the management team and boards holds c1% of capital. Furthermore, QM Media AB which became owners in connection with the acquisition of QM Media and P&P Vegas, recently held around 9% of capital, however, this has been distributed to individual holders who remain employees of Raketech. In total, around 26% of the capital is owned by management, employees and the board. Other large owners includes Tobias Persson Rosenqvist who has been an owner since the group was founded. Provobis Holding is a seasoned investor in gaming and gambling and is also engaged in the nomination committee.

| Raketech: Major Shareholders | | | |
|---|---|---|---|
| **Owner** | **Number of shares** | **Capital** | **Votes** |
| Avanza Pension | 3,627,117 | 8.5% | 8.5% |
| Tobias Persson Rosenqvist | 3,454,002 | 8.2% | 8.2% |
| Erik Skarp | 3,353,265 | 7.9% | 7.9% |
| Johan Svensson | 3,300,000 | 7.8% | 7.8% |
| Provobis Holding AB | 3,300,000 | 7.7% | 7.7% |
| Martin Larsson (Chalex AB) | 2,595,128 | 6.1% | 6.1% |
| Nordnet Pension Insurance | 2,445,339 | 5.7% | 5.7% |
| Reine Beck | 1,512,325 | 3.6% | 3.6% |
| Swedbank Insurance | 1,151,730 | 2.7% | 2.7% |
| Philip Sirbäck | 1,105,786 | 2.6% | 2.6% |
| Others | 16,810,622 | 39.2% | 39.2% |
| **Total:** | | **100.0%** | **100.0%** |

*Source: Holdings, Redeye Research (2023-12-08)*

# Business Model and Products

## Product offer and value proposition

Raketech's product offer can be summarized as a complete suite of affiliate and performance marketing services including SEO, content marketing, and data analysis, aimed at supporting businesses in the online gambling and sports betting sectors. A strong emphasis is placed on the creation of high-quality, user-focused content, aiming to enhance user experience and engagement. Utilizing a data-driven approach, Raketech optimizes its strategies to improve performance and return on investment. Regulatory compliance is integral to its operations, ensuring that the services provided are trustworthy and aligned with industry standards. Continuous innovation and adaptability are also core to Raketech's value proposition, allowing it to remain relevant and competitive in a dynamic market environment. The chart below illustrates Raketech's value proposition which is attractive to both players and operators.

**Raketech: Value proposition**
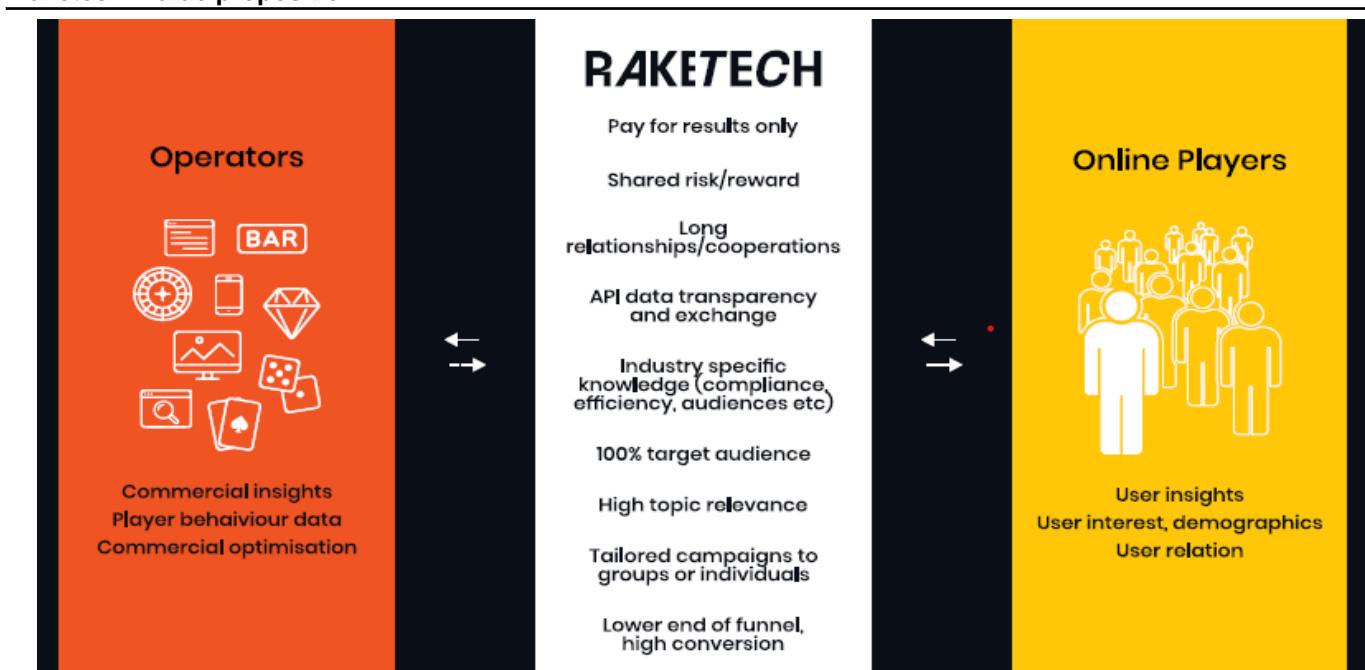


*Source: Raketech*

## Expanding global footprint supported by structurally growing market

Following its strategic change in 2019 with focus on expanding outside the Nordics, Raketech has built a global footprint covering Europe, Americas and Asia. Following this expansion, the company has created a foundation to benefit from the structurally growing online gambling market. Overall, the market is expected to grow around 10% in the coming 5 years. With exposure to high growth markets such Spain and Italy in Europe as well as US and South America, the company us well-positioned to take advantage from the strongly growing markets.

## Attractive business model with recurring revenue

Raketech business model essentially builds on connecting engaged casino players and sport bettors with online gambling operators. It does this with the toolbox mentioned above, and generates revenue if it successfully delivers players (referred to as NDCs – New Depositing Customers) to the operators. The company receives payments for the NDCs which can either be through one-time upfront fees (CPA - Cost per Acquisition) or lifetime revenue-share

contracts typically offering a 30-50% revenue split. The company also generates revenue from flat fees by listing operators on its websites while it furthermore also has a betting tips subscription service aimed directly at consumers. On the back of this, the company divides its revenue into four different income streams where revenue-share and upfront fees are the largest generating around 70-80% of total group revenue. The revenue generated from subscription and flat fees together yields c20-30% of group revenue. The revenue can also be split into recurring revenue and non-recurring revenue where revenue-share contracts together with subscription fees and flat fees are recurring revenue while upfront fees are non-recurring. Based on our estimates for 2023, around 50% of revenue is derived from recurring revenue while 50% comes from non-recurring revenue.

Furhtermore, Raketech divides its business into three segments – Affiliation, Sub-affiliation and Betting Tips & Subscription. Historically, the company generated all its revenue from Affiliation while the Sub-affiliation business was added in 2021 with the acquisition of Lead Republik. This segment has seen strong growth in 2022-23E driven by the Network product and to a smaller extent the AffiliationCloud. Betting Tips and Subscription was added as a new segment following the acquisition of P&P Vegas in July 2021 and ATS Consultants in November 2021. The revenue below illustrates the revenue development per income stream and business segment between 2018-2023E.

**Raketech: Revenue mix per contract type**
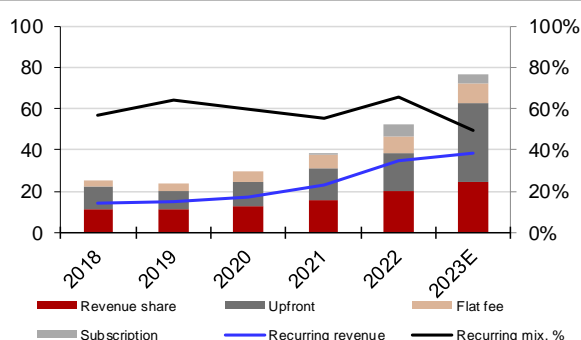


*Source: Raketech (historical data) Redeye Research (estimates)*

**Raketech: Revenue mix per segment**
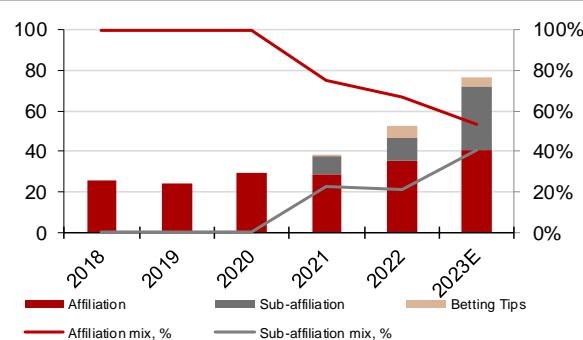


*Source: Raketech (historical data) Redeye Research (estimates)*

## Product portfolio

Raketech's product portfolio can be divided into consumer-facing products which generate both B2B and B2C revenue as well as pure B2B products. The consumer facing products consists of the casino and sports betting affiliate sites together with subscription-based betting tips sites. The B2B products consists of the Sub-affiliation business which is further divided into Network and AffiliationCloud. Network provides a platform for other affiliates to provide paid media marketing to operators. AffiliationCloud is a SaaS product that is offered to affiliates who do not have their own technical platform.

### Casino and sports betting affiliate sites

The majority of Raketech's revenue is generated from its casino and sports betting guides which offer reviews, comparisons, and information on different online gambling and betting sites. Furthermore, these sites aggregate and present various bonuses, offers, and promotions available across different online gambling and sports betting sites. Raketech develops and maintains the websites with SEO-optimized content to drive organic traffic via search engines while also building recurring traffic through brand awareness. The content might include blog posts, reviews, guides, and news articles related to gambling and sports betting. Revenue is generated as Raketech delivers NDCs to operators via the sites, either through CPA or revenue-share or a mix of the two and listing fees. The majority of revenue is generated from casino products (around 82% of Raketech's total revenue for 2023E is derived from casino products). The products in the casino segment include CasinoGuide.se,

Turtlebet.com, CasinoFeber, CasinoFever, Slotjava and Casimaru. On the sports side, the key assets are Betxpert, Betting.se and TVmatchen. Below are illustrations of Raketech's products in the casino and sports betting segment.



Raketech: Casino product examples
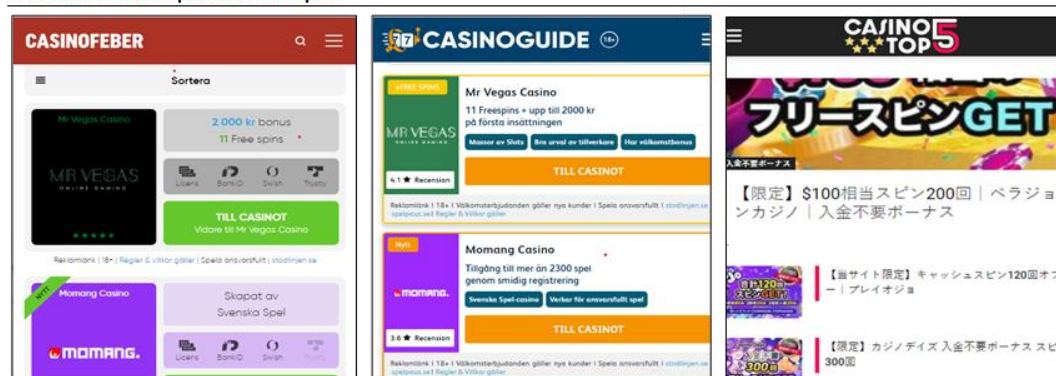
*Source: Company websites*



Raketech: Sports betting product examples
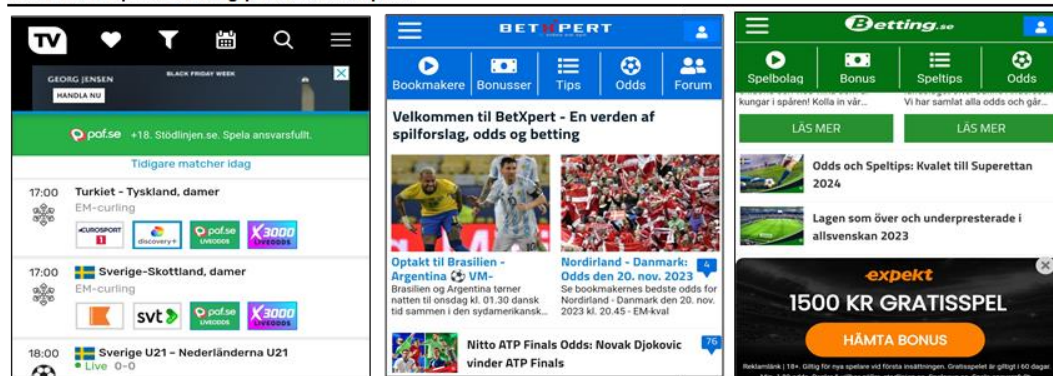
*Source: Company websites*

**Subscription-based products**

In addition to the traditional affiliate products, Raketech also offers betting tips directed towards consumers. These products mainly face the US market and consist of Winnersandwhiners.com, Statsalt.com and Picksandparlays.com. It also includes Pickpapa which is an aggregator of betting tips from both Raketech's own sites as well as external sites. These products also have a strong presence on social media where for example Picksandparlays has 45k subscribers on its YouTube channel. Revenue from these products is mainly generated from monthly subscription fees and to a smaller extent revenue-share if tips are successful (the opposite of revenue-share contracts with sports betting operators which benefits from players losing their bets). There is also a small mix of revenue generated with the affiliate model from these sites and Raketech is working on growing this revenue stream. Product examples are illustrated below.



Raketech: Subscription product examples
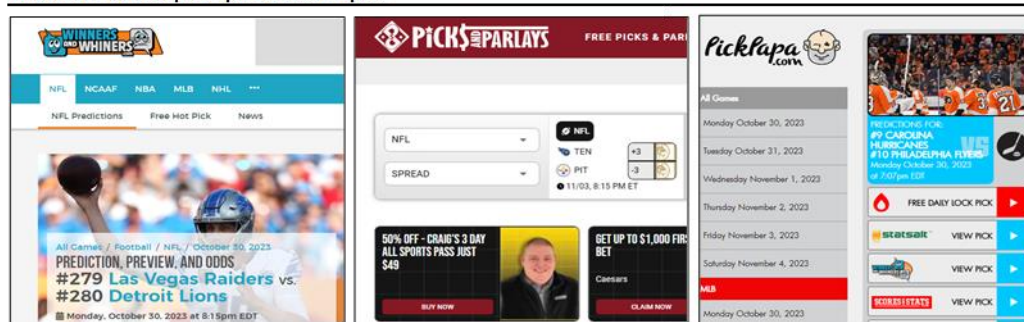
*Source: Company websites*

**Sub-affiliation – Network and AffiliationCloud**

Finally, Raketech also offers B2B products within the Sub-affiliation segment which consists of Network and AffiliationCloud. Network is a paid media operation which mainly stems from the acquisition of Lead Republik. This business generates revenue by connecting operators and other affiliates who specialize in paid media marketing (Google, Facebook and other social media) and generates revenue via commissions and fees. While profitability on paid media is lower than affiliation, this product can drive strong revenue during for example sport events and quickly be launched to generate revenue in new markets.

AffiliationCloud was launched in 2022 as a SaaS platform that offers administration, data analytics, payments and compliance for affiliates and operators. It is in an early phase, but it had onboarded more than 20 clients in its first year and in Q3 2022 the company commented that clients doubled in the quarter. The revenue model is based on organic sub-affiliation revenue-share deals and has potential to generate a highly diversified revenue stream if it becomes successful. AffiliationCloud is a product that is becoming more attractive for small to mid affiliates driven by compliance and regulation which is becoming increasingly complex with more locally regulated markets. The screenshot below illustrates a mockup interface for an affiliate client on the platform.

**Raketech: Mockup of AffilliationCloud interface**
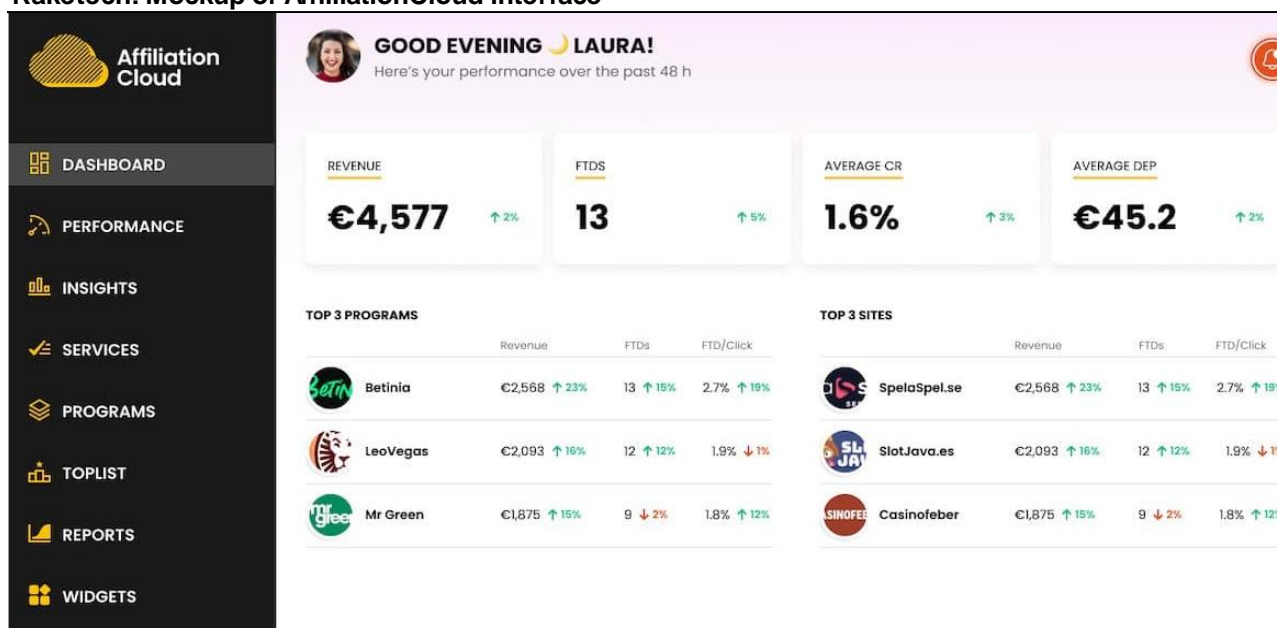


*Source: Raketech*

## Competitive landscape and market positioning

Coming to the competitive landscape, the online gambling affiliate and marketing industry is highly competitive, and Raketech meets competition from direct peers such as Better Collective, Catena Media, GiG Media and Gambling.com. It also meets competition from traditional marketing companies and smaller affiliate companies. However, we believe Raketech is well positioned as it has a market leading position in its core markets (Nordics and Japan) where it also has strong flagship brands that helps the group retain a competitive edge. Furthermore, with the AffiliationCloud, the company provides a unique potential to cooperate with smaller affiliates that otherwise are competition, which potentially could yield strong performance even in highly competitive markets.

# M&A

The online gambling affiliate industry has historically been very fragmented and Raketech has been active in consolidation of the market. Raketech has been focused on selective M&A with potential to add new product segments or markets. Acquisitions have typically been carried out at attractive valuations (low-to-mid-single digit EBITDA multiples) where some have been attached with earnouts, as illustrated in the table below (note that the table is based on the numbers at the time of the acquisition).

Most earnouts have been settled, however, there is still a large earnout relating to the Casumba Media acquisition that remains to be paid. This acquisition has proven to be more successful than expected and with an uncapped earnout, the contingent consideration now totals EUR46m, which can be compared to the initial consideration of just EUR2m. While the company has not disclosed the terms for the earnout, we believe the acquisition multiple including the full earnout is still very attractive. Assuming a large part of the revenue generation from Rest of World in 2023 is derived from Casumba, we estimate that the EV/EBITDA multiple is around 3-4x for the acquisition including the earnout.

Looking forward, there is scope for more M&A as the company has a solid balance sheet (small net cash position of cEUR0.5m as of Q3 2023, excluding earnouts) and is highly cash generative. Potential acquisitions are likely to remain selective with focus on new markets and products. However, we believe the activity is likely to remain low in the short-term considering the higher interest rate environment coupled with the earnout of Casumba remaining to be fully settled and paid.

| Company name | Acqusition date | Price EURm | Earnout EURm | Revenue EURm | EBITDA EURm | EBITDA-margin | Initial EV/ Sales | Initial EV/ EBITDA |
|---|---|---|---|---|---|---|---|---|
| ATS Consultants | Nov-21 | 13.4 | Yes | 5.4 | 2.2 | 42% | 2.5 | 6.0 |
| Infinileads | Jul-21 | 4.5 | 4 | 1.5 | 1.2 | 79% | 3.0 | 3.8 |
| QM Media and P&P Vegas | Jul-21 | 16.0 | No | 4.2 | 2.9 | 68% | 3.8 | 5.6 |
| American Gambler | Nov-20 | 5.0 | No | 1.4 | 1.3 | 90% | 3.5 | 3.9 |
| Lead Republik | Mar-20 | 1.4 | Yes | 2.8 | 0.5 | 17% | 0.5 | 3.0 |
| Casumba Media | Aug-19 | 2.0 | Yes | 2.0 | 0.7 | 33% | 1.0 | 3.0 |
| CasinoFever | Jun-19 | - | - | - | - | - | - | - |
| Tvmatsit | Apr-19 | 1.6 | 0.3 | 0.5 | 0.3 | 58% | 3.0 | 5.2 |
| Shogun Media | Jun-18 | 0.7 | - | - | - | - | - | - |
| Casinofeber * | May-18 | 3.0 | - | - | - | - | - | - |
| Mediaclever * | May-18 | 4.7 | - | - | - | - | - | - |
| **Average** | | **5.2** | **2.2** | **2.5** | **1.3** | **55%** | **2.5** | **4.4** |

*Source: Redeye Research, * Redeye estimate*

## Market overview

### Structural Growth in Online Gambling

The underlying growth for the online gambling market is driven by the transition from offline to online gambling. As illustrated in the chart below, the overall share of online gambling reached 30% in 2021 after a large jump during the covid-19 pandemic. Looking over the next years, the trend is expected to continue in the historical trajectory generating a growth of c10% between 2023-27E. There is a big difference in the maturity of the online penetration and growth will be driven by low penetration markets (Southern Europe, US, South America and Asia) while more mature market (Nordics countries and UK) will see lower growth.

**Online Gambling Market**
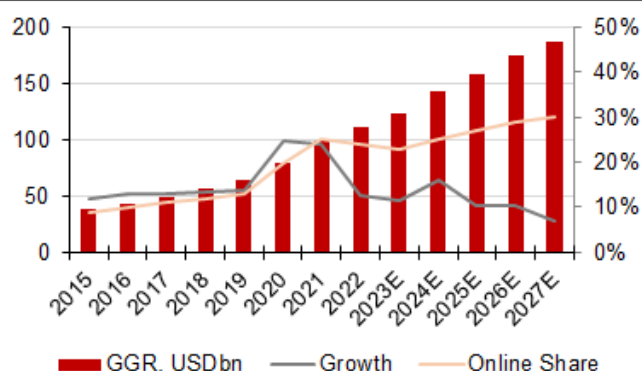


Source: Entain/H2GC (2022)

**Online Gambling Market Penetration**
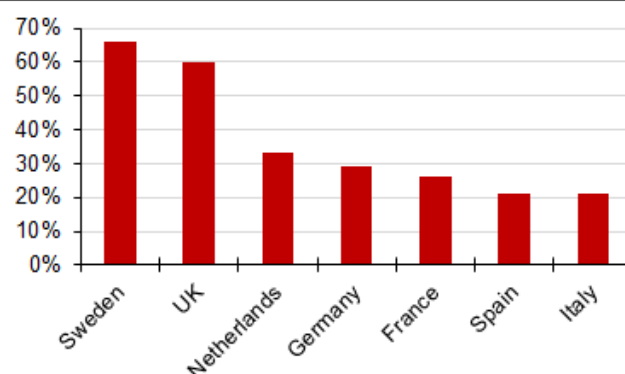


Source: Kindred/H2GC (2021)

### Multiyear growth opportunity in US

One of the fastest growing markets in online gambling is the US following the Supreme Court's removal of a ban on sports betting in May 2018 whereafter it is up to each state to decide on regulation on sports betting. Some states have also allowed online casino and looking at the recent development of the US market, there was a strong increase in both online casino and sports betting during 2020-23. This was driven both from states like New Jersey and Pennsylvania which was early to regulate coupled with addition of new states including among other Michigan, Colorado, Illinois, New York and Ohio. The US market is still in its early days however, with additional states expected to regulate over the coming years with a CAGR of around 17% during 2023-27E.

**US betting and online casino GGR Q1'20-Q3'23, USDm**
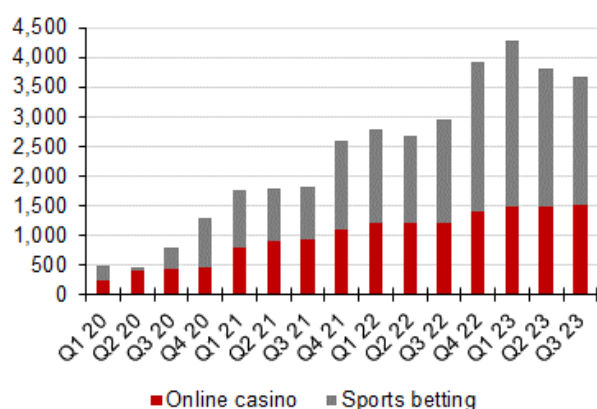


Source: AGA

**US betting and online casino GGR 2020-27E, USDm**
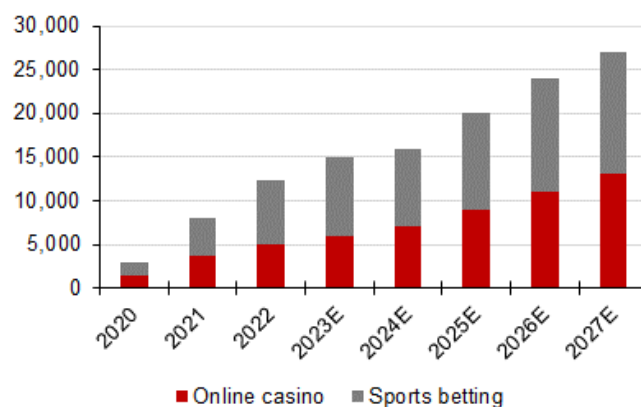


Source: AGA, Catena Media (Eilers & Krejcik)

## South America and Asia emerging as new growth markets

In addition to the US, South America and Asia are emerging as new growth markets. In South America, H2 Gambling has projected growth for sports betting of around 20% annually between 2022-27 driven by among other regulation of online gambling in several countries (including for example Brazil and Peru). In total, the sports betting market is expected to increase from around EUR2bn in GGR in 2022 to around EUR6bn by 2027E according to H2 Gambling. Asia is also a strong growth region as indicated by Raketech's growth in Japan, however the region is more uncertain coming to the regulatory framework. Still markets such as Japan and India could potentially see regulation in the coming years. Overall, we believe Raketech is well positioned and targeting markets with strong growth outlooks.

## Global online gambling affiliate market size

Coming to the outlook for the online gambling affiliate industry, the growth should track the overall market growth with potentially slightly higher growth in immature markets where competition among operators is high. Regarding the TAM of the online gambling affiliate market, we estimate this to be around EUR9bn in 2023. This is calculated by assuming that around 20-40% of the total gambling markets GGR is derived from affiliates. Applying a mid-range estimate of 30% and assuming around 50% deductions for direct costs (bonus, license costs and tax etc.) and a revenue share of 50% we calculate the global online gambling affiliate market to be around EUR9bn in 2023E. Given Raketech's revenue of around EUR76m in 2023E it has a small size of the total market suggests significant long term growth potential.



**Online Gambling Affiliate Market Size 2023E, USDbn**
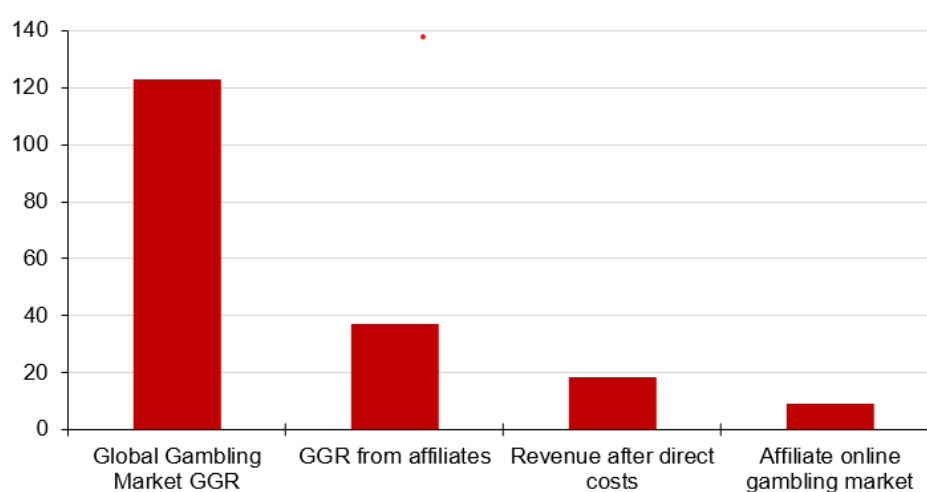
*Source: Redeye Research*

# Financials and estimates

## Solid track record and strong outlook

Raketech has delivered strong performance since its listing in 2018 with revenue growing from EUR26m to EUR76 in 2023E. The company launched an updated strategy in late 2019, where it aimed to diversify its revenue with new regions and products. This has also worked out well as Raketech has lowered dependence on the Nordics (down from 100% of revenue in 2019 to around 40% in 2023E) and added new revenue streams from Sub-affiliation and Betting Tips & Subscription. As demonstrated in this report, the growth outlook remains strong, and we expect Raketech to continue its growth journey in the coming years. We expect the company to increase revenue from EUR53m in 2022 to around EUR101m in 2025E, representing a CAGR of 24%. During the same period, we forecast EBITDA to increase from EUR20m to EUR30m representing a total increase of 50%.

Coming to the near-term outlook, Raketech looks set to end 2023E on a strong note, where it comments in the Q3-report that it expects to beat its earlier upgraded revenue guidance of EUR65m-70m. The company also expects to achieve its EBITDA target of EUR23m-25m (for Q1-Q3 2023 EBITDA sums up to EUR18m) and achieve a free cash flow of EUR13m-15m. As illustrated in the charts below, the company has seen lower margins in 2023, despite the strong growth in EBITDA. This comes on the back of a change in product mix following the strong growth in Sub-affiliation, which has lower profitability owing to higher variable costs (as illustrated by the direct costs in the right-hand chart below). On the other hand, this segment has lower risk as it does not require increased fixed costs or investments in new websites. Looking into 2024-25E we expect the EBITDA-margin to be 28-29% which assumes that the revenue mix will remain around the current levels.

**Raketech: Revenue & EBITDA, EURm**
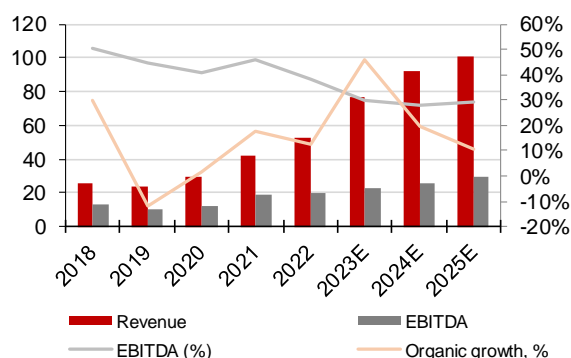


**Raketech: Direct and operating costs, EURm**
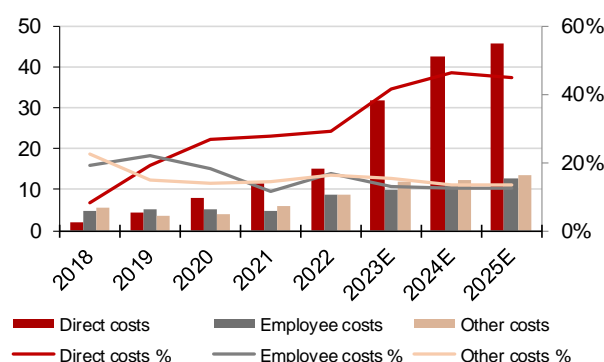


*Source: Raketech (historical data) Redeye Research (estimates)*          *Source: Raketech (historical data) Redeye Research (estimates)*

## New markets and Sub-affiliation drives growth

Looking closer at the growth outlook for 2024-25E, we expect the Sub-affiliation segment to remain the core growth driver in the short-term. In H1 2024, the segment will meet easy comps and while these will become tougher in H2 2024, we forecast growth of 42% for the segment in 2024E. For 2024E the segment's growth will largely be driven by Network while growth in 2025E should be supported by AffiliationCloud where Raketech targets to achieve EUR10m in revenue run-rate by end of 2024E. Worth highlighting is that the quarterly variations in revenue from Sub-affiliation can be significant and it should be evaluated on annual or LTM basis.

Coming to the Affiliation segment, growth has been strong in 2023E on the back of strong performance from Casumba driving revenue growth in the Rest of World region. In Q3 2023, growth in the Affiliation segment has slowed down however, as comps has become tougher. The company has also seen soft performance in the Nordic region on the back of regulatory uncertainty in Norway and Finland. This region has managed to see strong growth from Sub-affiliation, however, as operators' marketing budgets have shifted more towards short-term investments. For 2025E, we expect a slightly higher growth level for the segment with upside potential from the US business which should start to generate revenue from affiliation (currently US revenue mainly comes from Betting Tips and Subscription). The charts below illustrate revenue development per segment and region in 2018-25E.

**Raketech: Revenue mix per segment**
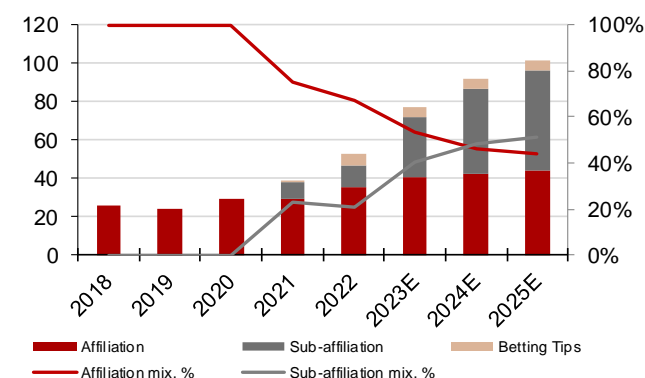


*Source: Raketech (historical data) Redeye Research (estimates)*

**Raketech: Revenue mix per region**
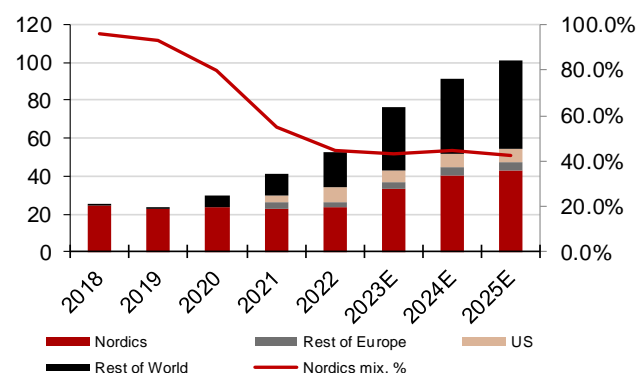


*Source: Raketech (historical data) Redeye Research (estimates)*

## Strong cash generation and solid balance sheet

Raketech's business is highly cash generative as the company has low investment requirements and product development is charged directly over the P&L. The majority of investments consist of acquisitions and earnouts for earlier acquisitions. During 2024-26E the company will pay the earnout for Casumba which totals EUR46m. The payment for 2024E is expected to be EUR15m-17m (ow up to EUR2m in equity) and EUR6m-9m in 2025E (ow up to EUR3m in equity) while the remaining EUR20m (ow up to EUR8m in equity) is due in 2026E. Whether or not the company fully utilize its option to pay part of the earnout in equity, we expect the company to continue to build its net cash position supporting potential for M&A or increased dividend payments.

**Raketech: Net Debt, earnouts and leverage ratio**
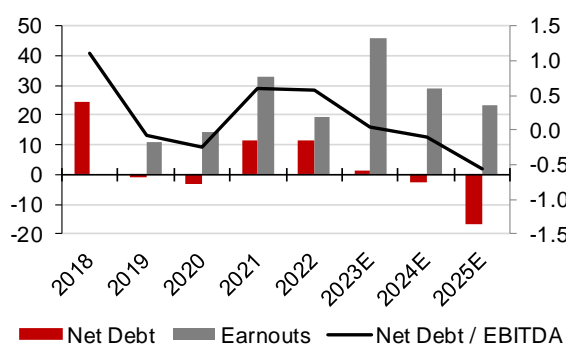


*Source: Raketech (historical data) Redeye Research (estimates)*

**Raketech: Cash flow and investments**
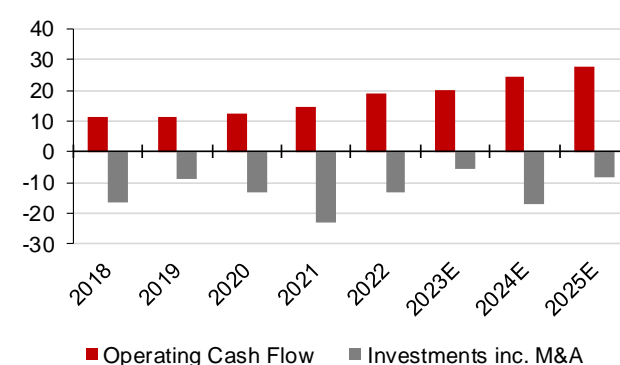


*Source: Raketech (historical data) Redeye Research (estimates)*

## Revenue per segment and group financial tables

The tables below summarize revenue per segment and region together with group financials for 2019-25E.

| Raketech: Revenue per segment | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **(EURm)** | **2019** | **2020** | **2021** | **2022** | **Q1 23** | **Q2 23** | **Q3 23** | **Q4 23E** | **2023E** | **2024E** | **2025E** |
| **Revenue and per segment** | **24** | **29** | **39** | **53** | **15.8** | **17.6** | **21.5** | **21.9** | **77** | **92** | **101** |
| Affiliation | 24 | 29 | 29 | 35 | 10.8 | 10.3 | 9.5 | 10.3 | 41 | 42 | 45 |
| Sub-affiliation | 0 | 0 | 9 | 11 | 3.6 | 6.3 | 11.1 | 10.3 | 31 | 45 | 51 |
| Betting Tips | 0 | 0 | 1 | 6 | 1.4 | 1.0 | 0.9 | 1.3 | 5 | 5 | 5 |
| | | | | | | | | | | | |
| Affiliation YoY, % | -6% | 23% | -2% | 22% | 32% | 28% | 10% | 0% | 16% | 4% | 7% |
| Sub-affiliation YoY, % | n.a. | n.a. | n.a. | 27% | 46% | 192% | 264% | 194% | 180% | 42% | 14% |
| Betting Tips YoY % | n.a. | n.a. | n.a. | 705% | -31% | -6% | -28% | -30% | -26% | 5% | 5% |
| | | | | | | | | | | | |
| **Revenue and per region** | **24** | **29** | **42** | **53** | **15.8** | **17.6** | **21.5** | **21.9** | **77** | **92** | **101** |
| Nordics | 22 | 24 | 23 | 23 | 5.8 | 7.2 | 10.0 | 10.4 | 33 | 41 | 43 |
| Rest of Europe | 0 | 0 | 3 | 3 | 0.6 | 0.8 | 1.1 | 1.0 | 3 | 4 | 5 |
| US | 0 | 0 | 3 | 8 | 1.9 | 1.3 | 1.1 | 1.7 | 6 | 6 | 7 |
| Rest of World | 2 | 6 | 12 | 19 | 7.5 | 8.4 | 9.3 | 8.9 | 34 | 40 | 46 |
| | | | | | | | | | | | |
| Nordics YoY, % | -9% | 6% | -3% | 2% | 7% | 37% | 59% | 60% | 42% | 22% | 5% |
| Rest of Europe YoY, % | n.a. | n.a. | n.a. | -18% | -15% | 10% | 74% | 50% | 29% | 26% | 10% |
| US YoY, % | n.a. | n.a. | n.a. | 136% | -22% | -7% | -25% | -30% | -22% | 7% | 15% |
| Rest of World YoY, % | 48% | 257% | 108% | 55% | 80% | 110% | 104% | 45% | 81% | 19% | 15% |

*Source: Redeye Research*

| Raketech: Group key financials | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **EURm** | **2019** | **2020** | **2021** | **2022** | **Q1 23** | **Q2 23** | **Q3 23** | **Q4 23E** | **2023E** | **2024E** | **2025E** |
| **Revenue** | **24** | **29** | **42** | **53** | **15.8** | **17.6** | **21.5** | **21.9** | **77** | **92** | **101** |
| Growth Y/Y (%) | -6% | 23% | 41% | 27% | 24% | 56% | 66% | 40% | 46% | 20% | 10% |
| | | | | | | | | | | | |
| Direct costs | -5 | -8 | -11 | -15 | -4.3 | -6.6 | -10.5 | -10.4 | -32 | -42 | -46 |
| Employee costs | -5 | -5 | -5 | -9 | -2.3 | -2.6 | -2.5 | -2.6 | -10 | -11 | -13 |
| Other costs | -4 | -4 | -6 | -9 | -3.1 | -2.9 | -2.9 | -3.0 | -12 | -12 | -13 |
| | | | | | | | | | | | |
| **EBITDA** | **11** | **12** | **19** | **20** | **6.1** | **5.5** | **5.6** | **5.9** | **23** | **26** | **30** |
| EBITDA (%) | 45% | 41% | 46% | 38% | 39% | 31% | 26% | 27% | 30% | 28% | 29% |
| | | | | | | | | | | | |
| Non-recurring | 0 | 0 | 0 | 0 | 0.0 | 0.0 | 0.0 | 0.0 | 0 | 0 | 0 |
| | | | | | | | | | | | |
| Depreciation and amortisation | **-5** | **-5** | **-7** | **-8** | -2.3 | -3.0 | -3.4 | -3.5 | **-12** | **-14** | **-14** |
| | | | | | | | | | | | |
| EBIT | **6** | **7** | **12** | **12** | 3.8 | 2.5 | 2.2 | 2.4 | **11** | **12** | **15** |
| EBIT (%) | 26% | 23% | 30% | 23% | 24% | 14% | 10% | 11% | 14% | 13% | 15% |
| | | | | | | | | | | | |
| Net income | 7 | 6 | 10 | 8 | 2.8 | 1.8 | 0.8 | 1.7 | 7 | 11 | 14 |
| | | | | | | | | | | | |
| EPS, EUR | 0.19 | 0.15 | 0.25 | 0.20 | 0.07 | 0.04 | 0.02 | 0.04 | 0.17 | 0.25 | 0.32 |

*Source: Raketech (historical data), Redeye Research (forecasts)*

# Valuation

## Fair Value Range of SEK14-80 per share

Our DCF-valuation indicates a base case of SEK40 while the bull case is SEK80 and the bear case SEK14. Our valuation incudes full payment of the Casumba Media earnout of which EUR33m is in cash and EUR13m in equity (fully diluted shares of 51.3m). Our base case implies an EV/EBITDA multiple of 8x 2024E while the share currently trades at 4x EV/EBITDA including earnouts.

## DCF Bear Case SEK14

Sales CAGR of about 3% between 2024-28 with EBITDA-margin of 22%.

Terminal growth of 2% with terminal EBITDA-margin of 20%.

Our bear case assumes that the growth in Sub-affiliation comes down significantly while Affiliation also sees lower growth on the back of slower growth in Japan. With lower topline growth, the bear case scenario assumes declining profitability as operating leverage is reversed.

## DCF Base Case SEK40

Sales CAGR of about 8% between 2024-28 with EBITDA-margin of 28%.

Terminal growth of 2% with terminal EBITDA-margin of 25%.

Our base case assumes that the growth in Sub-affiliation sees continued growth supported by Network and AffiliationCloud. The Affiliation segment is forecasted to see stable performance in Japan supported by growth in US. Profitability to remain stable with unchanged product mix.

## DCF Bull Case SEK80

Sales CAGR of about 13% between 2024-28 with EBITDA-margin of 34%.

Terminal growth of 2% with terminal EBITDA-margin of 33%.

Our bull case assumes strong growth in Sub-affiliation supported by a breakthrough in AffiliationCloud which also results in stronger profitability. Affiliation is expected to see increased growth supported by US and South America which also helps to expand profitability.

## Valuation and Estimate Trend

As illustrated in the charts below, Raketech trades in the low end of its historical valuation range based on consensus NTM EV/EBITDA. The EPS trend is positive and the has as underperformed estimate revisions which suggest a good risk/reward in our view.

**Raketech: EV/EBITDA NTM**
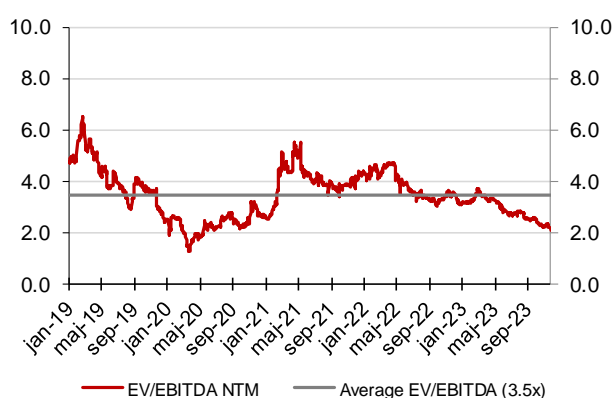


*Source: Factset*

**Raktech: EPS NTM and share price, SEK**



*Source: Factset*

# Peer valuation

We believe it is relevant to look at a broad peer group to compare the valuation of Raketech. In the table below we have categorized peers as suppliers, affiliates and operators. While the affiliate companies are Raketech's closest peers, we also view suppliers as relevant as the business model is similar in many ways. Operators can also be relevant although profitability is typically lower as they are more impacted by competition.

Raketech trades in the lower end of the listed affiliate marketing companies. This is likely partly reflecting uncertainty of the earnout relating to Casumba Media which also represents a concentration risk as it generates a large share of Raketech's earnings. Furthermore, we believe the higher multiples seen on Better Collective and Gambling.com are related to size and in the case of Better Collective its strong position in sports affiliation. The gap vs peers could potentially be closed as the Casumba earnout is paid and if the AffiliationCloud business achieves its 2024 target as this would improve revenue diversification.

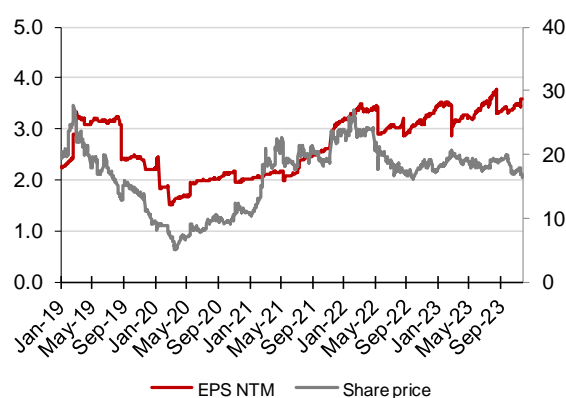| Peer valuation | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | EV/Sales | | | EV/EBITDA | | | Sales CAGR | EBITDA margin |
| Companies | EV, SEKm | 2023E | 2024E | 2025E | 2023E | 2024E | 2025E | 23-25E | 2024E |
| **Suppliers** | | | | | | | | | |
| Evolution AB | 226,964 | 11.0 | 9.3 | 8.0 | 15.7 | 13.2 | 11.3 | 17% | 70% |
| Light & Wonder, Inc. | 115,951 | 3.9 | 3.6 | 3.3 | 10.1 | 9.2 | 8.3 | 8% | 39% |
| IGT | 110,324 | 2.5 | 2.4 | 2.3 | 6.0 | 5.7 | 5.4 | 3% | 42% |
| Playtech plc | 19,642 | 1.0 | 1.0 | 0.9 | 4.0 | 3.7 | 3.5 | 5% | 26% |
| Kambi Group | 4,570 | 2.2 | 2.0 | 1.9 | 6.8 | 5.7 | 5.5 | 9% | 35% |
| GAN Limited | 707 | 0.5 | 0.4 | 0.4 | n.a. | 9.1 | 3.8 | 19% | 5% |
| Gaming Innovation Group | 4,918 | 3.4 | 2.5 | 2.2 | 7.4 | 5.2 | 4.4 | 25% | 48% |
| Genius Sports Limited | 12,179 | 2.9 | 2.5 | 2.1 | 22.4 | 15.9 | 10.9 | 16% | 16% |
| Sportradar Group | 27,888 | 2.8 | 2.3 | 2.1 | 14.8 | 12.4 | 10.3 | 17% | 19% |
| Aristocrat Leisure Limited | 173,531 | 4.0 | 3.8 | 3.6 | 12.0 | 11.1 | 10.3 | 6% | 34% |
| Fantasma Games AB | 141 | 3.8 | 2.9 | 2.4 | 14.1 | 8.3 | 5.4 | 27% | 35% |
| **Average Suppliers** | | **3.5** | **3.0** | **2.6** | **11.3** | **9.1** | **7.2** | **14%** | **33%** |
| **Affiliates** | | | | | | | | | |
| Catena Media | 1,331 | 1.4 | 1.5 | 1.3 | 3.9 | 4.2 | 3.2 | 3% | 36% |
| Better Collective | 15,856 | 4.3 | 3.5 | 3.0 | 13.1 | 9.8 | 8.0 | 19% | 36% |
| Gaming Innovation Group | 4,918 | 3.4 | 2.5 | 2.2 | 7.4 | 5.2 | 4.4 | 25% | 48% |
| Gambling.com Group Ltd | 3,460 | 3.2 | 2.8 | 2.3 | 9.2 | 7.7 | 6.2 | 18% | 36% |
| **Average Affiliates** | | **2.4** | **2.1** | **1.8** | **8.4** | **6.7** | **5.4** | **14%** | **35%** |
| **Operators** | | | | | | | | | |
| Flutter Entertainment Plc | 345,094 | 2.7 | 2.5 | 2.2 | 16.4 | 13.1 | 10.6 | 11% | 19% |
| Entain PLC | 102,967 | 1.7 | 1.6 | 1.5 | 8.1 | 7.5 | 6.9 | 6% | 21% |
| Kindred Group | 18,188 | 1.1 | 1.0 | 0.9 | 6.8 | 5.5 | 4.6 | 9% | 18% |
| Betsson AB | 14,554 | 1.3 | 1.2 | 1.1 | 5.1 | 4.6 | 4.2 | 9% | 27% |
| 888 Holdings Plc | 26,847 | 1.2 | 1.1 | 1.1 | 6.5 | 5.4 | 4.9 | 5% | 21% |
| Super Group | 16,209 | 1.0 | 1.0 | 0.9 | 6.2 | 6.1 | 5.8 | 8% | 16% |
| DraftKings | 186,990 | 4.9 | 3.9 | 3.3 | n.a. | 46.1 | 20.6 | 22% | 8% |
| PENN Entertainment | 125,177 | 1.8 | 1.8 | 1.7 | 15.0 | 14.6 | 11.3 | 4% | 12% |
| **Average Operators** | | **2.0** | **1.8** | **1.6** | **9.2** | **12.9** | **8.6** | **9%** | **18%** |
| **Raketech (inc. earnout)** | 1,212 | **1.4** | **1.2** | **1.1** | **4.6** | **4.2** | **3.6** | **15%** | **28%** |

*Source: Factset & Redeye Research*

# Summary Redeye Rating

### People: 3

Raketech has a solid track record of meeting its financial targets. The management team and board are well-composed and have relevant experience in online gambling, business and finance. Management has delivered on the strategy launched in 2019, which aimed to increase revenue outside the Nordics and from new products. The co-founders are still involved in the group with substantial ownership. The company has a sound capital allocation strategy which prioritizes growth while excess cash is distributed to shareholders.

### Business: 3

Raketech has an attractive business model yielding a large share of recurring revenue from a wide customer group, although with a high concentration from Japan. The company has embedded growth optionality from new markets such as US and South America and the emerging AffiliationCloud business. While competition is strong in the online gambling performance marketing industry, the company has strong market positions in its core markets.

### Financials: 3

Raketech has strong profitability and strong cash generation with limited capex requirements. However, net cash flow is negatively impacted by earnout payments from an earlier acquisition. Amortization of intangible assets relating to acquisitions also impacts return on assets and equity negatively. These metrics have potential to improve in the coming years, which should yield a higher rating for Financials.

Summary Redeye Rating

| | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| **INCOME STATEMENT** | | | | |
| Revenues | 53 | 77 | 92 | 101 |
| Cost of Revenues | 15 | 32 | 42 | 46 |
| Gross Profit | 37 | 45 | 49 | 56 |
| Operating Expenses | 17 | 22 | 24 | 26 |
| EBITDA | 20 | 23 | 26 | 30 |
| Depreciation & Amortization | 8 | 12 | 14 | 14 |
| EBIT | 12 | 11 | 12 | 15 |
| Net Financial Items | -2 | -3 | 0 | 0 |
| EBT | 10 | 8 | 12 | 15 |
| Income Tax Expenses | 2 | 1 | 1 | 2 |
| Non-Controlling Interest | 0 | 0 | 0 | 0 |
| Net Income | 8 | 7 | 11 | 14 |
| | | | | |
| **BALANCE SHEET** | | | | |
| Assets | | | | |
| **Current assets** | | | | |
| Cash & Equivalents | 3 | 16 | 17 | 32 |
| Inventories | 0 | 0 | 0 | 0 |
| Accounts Receivable | 6 | 9 | 14 | 15 |
| Other Current Assets | 0 | 0 | 0 | 0 |
| Total Current Assets | 10 | 25 | 31 | 47 |
| | | | | |
| **Non-current assets** | | | | |
| Property, Plant & Equipment, Net | 0 | 0 | 1 | 1 |
| Goodwill | 1 | 1 | 1 | 1 |
| Intangible Assets | 119 | 139 | 125 | 124 |
| Right-of-Use Assets | 0 | 0 | 0 | 0 |
| Shares in Associates | 0 | 0 | 0 | 0 |
| Other Long-Term Assets | 0 | 0 | 0 | 0 |
| Total Non-Current Assets | 121 | 141 | 127 | 127 |
| | | | | |
| Total Assets | 131 | 166 | 158 | 174 |
| | | | | |
| Liabilities | | | | |
| **Current liabilities** | | | | |
| Short-Term Debt | 0 | 0 | 0 | 0 |
| Short-Term Lease Liabilities | 0 | 0 | 0 | 0 |
| Accounts Payable | 4 | 8 | 9 | 10 |
| Other Current Liabilities | 13 | 15 | 6 | 6 |
| Total Current Liabilities | 17 | 23 | 15 | 16 |
| | | | | |
| **Non-current liabilities** | | | | |
| Long-Term Debt | 15 | 15 | 15 | 15 |
| Long-Term Lease Liabilities | 0 | 0 | 0 | 0 |
| Other Long-Term Liabilities | 9 | 35 | 28 | 22 |
| Total Non-current Liabilities | 24 | 50 | 43 | 37 |
| | | | | |
| Non-Controlling Interest | 0 | 0 | 0 | 0 |
| Shareholder's Equity | 90 | 93 | 100 | 108 |
| Total Liabilities & Equity | 131 | 166 | 158 | 162 |
| | | | | |
| **CASH FLOW** | | | | |
| NOPAT | 10 | 10 | 11 | 14 |
| Change in Working Capital | 0 | 3 | -13 | 0 |
| Operating Cash Flow | 19 | 22 | 22 | 28 |
| | | | | |
| Capital Expenditures | 0 | 0 | 0 | 0 |
| Investment in Intangible Assets | -13 | -5 | -2 | -2 |
| Investing Cash Flow | -13 | -6 | -17 | -8 |
| | | | | |
| Financing Cash Flow | 0 | -4 | -4 | -5 |
| Free Cash Flow | 6 | 17 | 20 | 26 |

| DCF Valuation Metrics | Sum DCF (EURm) |
|---|---|
| 2024-2027 | 39 |
| 2028-2038 | 103 |
| Terminal | 49 |
| Firm Value | 191 |
| Net Debt | -1 |
| Equity Value | 192 |
| Fair Value per Share, SEK | 40 |

| | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| **CAPITAL STRUCTURE** | | | | |
| Equity Ratio | 0.7 | 0.6 | 0.6 | 0.6 |
| Debt to equity | 0.2 | 0.2 | 0.1 | 0.1 |
| Net Debt | 12 | -1 | -3 | -17 |
| Capital Employed | 114 | 143 | 143 | 158 |
| Working Capital Turnover | -4.9 | -5.5 | -74.2 | -96.7 |
| | | | | |
| **GROWTH** | | | | |
| Revenue Growth | 27% | 46% | 20% | 10% |
| Basic EPS Growth | -20% | -14% | 48% | 29% |
| Adjusted Basic EPS Growth | -20% | -14% | 48% | 29% |
| | | | | |
| **PROFITABILITY** | | | | |
| ROE | 10% | 8% | 11% | 13% |
| ROCE | 11% | 8% | 8% | 10% |
| ROIC | 9% | 8% | 8% | 11% |
| EBITDA Margin (%) | 38% | 30% | 28% | 29% |
| EBIT Margin (%) | 23% | 14% | 13% | 15% |
| Net Income Margin (%) | 0% | 0% | 0% | 0% |
| | | | | |
| **VALUATION** | | | | |
| Basic EPS | 0.2 | 0.2 | 0.2 | 0.3 |
| Adjusted Basic EPS | 0.2 | 0.2 | 0.2 | 0.3 |
| P/E | 8.1 | 8.7 | 5.9 | 4.6 |
| EV/Revenue | 1.5 | 0.8 | 0.7 | 0.4 |
| EV/EBITDA | 3.9 | 2.6 | 2.3 | 1.5 |
| EV/EBIT | 6.4 | 5.6 | 5.1 | 3.0 |
| P/B | 0.7 | 0.7 | 0.6 | 0.6 |

| SHAREHOLDER STRUCTURE | CAPITAL % | VOTES % |
|---|---|---|
| Avanza Pension | 9.2% | 9.2% |
| Tobias Persson Rosenqvist | 8.2% | 8.2% |
| Erik Skarp | 7.9% | 7.9% |
| Johan Svensson | 7.8% | 7.8% |
| Provobis Holding AB | 7.7% | 7.7% |

| SHARE INFORMATION | |
|---|---|
| Reuters code | RAKE.ST |
| List | Nasdaq |
| Share price | 16 |
| Total shares, million | 42.3 |

| MANAGEMENT & BOARD | |
|---|---|
| CEO | Oskar Mühlbach |
| CFO | Måns Svalborn |
| Chairman | Ulrik Bengtsson |

| ANALYSTS | Redeye AB |
|---|---|
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# Redeye Rating and Background Definitions

**Company Quality**

Company Quality is based on a set of quality checks across three categories; PEOPLE, BUSINESS, FINANCE. These are the building blocks that enable a company to deliver sustained operational outperformance and attractive long-term earnings growth.

Each category is grouped into multiple sub-categories assessed by five checks. These are based on widely accepted and tested investment criteria and used by demonstrably successful investors and investment firms. Each sub-category may also include a complementary check that provides additional information to assist with investment decision-making.

If a check is successful, it is assigned a score of one point; the total successful checks are added to give a score for each sub-category. The overall score for a category is the average of all sub-category scores, based on a scale that ranges from 0 to 5 rounded up to the nearest whole number. The overall score for each category is then used to generate the size of the bar in the Company Quality graphic.

**People**

At the end of the day, people drive profits. Not numbers. Understanding the motivations of people behind a business is a significant part of understanding the long-term drive of the company. It all comes down to doing business with people you trust, or at least avoiding dealing with people of questionable character.

The People rating is based on quantitative scores in seven categories:

- Passion, Execution, Capital Allocation, Communication, Compensation, Ownership, and Board.

**Business**

If you don't understand the competitive environment and don't have a clear sense of how the business will engage customers, create value and consistently deliver that value at a profit, you won't succeed as an investor. Knowing the business model inside out will provide you some level of certainty and reduce the risk when you buy a stock.

The Business rating is based on quantitative scores grouped into five sub-categories:

- Business Scalability, Market Structure, Value Proposition, Economic Moat, and Operational Risks.

**Financials**

Investing is part art, part science. Financial ratios make up most of the science. Ratios are used to evaluate the financial soundness of a business. Also, these ratios are key factors that will impact a company's financial performance and valuation. However, you only need a few to determine whether a company is financially strong or weak.

The Financial rating is based on quantitative scores that are grouped into five separate categories:

- Earnings Power, Profit Margin, Growth Rate, Financial Health, and Earnings Quality.

# Redeye Equity Research team

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# Disclaimer

## Important information

Redeye AB ("Redeye" or "the Company") is a specialist financial advisory boutique that focuses on small and mid-cap growth companies in the Nordic region. We focus on the technology and life science sectors. We provide services within Corporate Broking, Corporate Finance, equity research and investor relations. Our strengths are our award-winning research department, experienced advisers, a unique investor network, and the powerful distribution channel redeye.se. Redeye was founded in 1999 and since 2007 has been subject to the supervision of the Swedish Financial Supervisory Authority.

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## Redeye Rating (2023-12-20)

| Rating | People | Business | Financials |
|---|---|---|---|
| 5p | 7 | 6 | 2 |
| 3p - 4p | 165 | 160 | 38 |
| 0p - 2p | 27 | 33 | 159 |
| Total | 199 | 199 | 199 |

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**CONFLICT OF INTERESTS**

Hjalmar Ahlberg owns shares in the company : No

Anton Hoof owns shares in the company : No

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.