



Penser Access by Carnegie

Internet Software & Services | Sweden | 06 May 2024

Raketech Group Holding

Cutting full-year guidance

Preliminary figures show magnitude of Google update

Raketech has released preliminary figures for Q1, with revenues expected at EUR19m and adjusted EBITDA at EUR5.1m. The preliminary revenue figure is around 13% below our estimate for the quarter, while the deviation on adjusted EBITDA is 12%. The reason for the poor results is that, just as we flagged in our preview, the company has been hit by Google's large update during Q1 and into early Q2. The update has primarily affected Raketech's affiliate assets, which hold the highest gross margins. Given the poor start to the year, the company has cut its full-year EBITDA guidance from EUR24–26m to EUR20m. The key reason for this is that the Casumba assets have seen worse results since the update.

Cash flow remains robust

The company expects its cash flow for 2024 to be just below its EBITDA guidance, corresponding to almost 40% of its market cap. During the year, however, earn-outs of EUR15m will be paid to the sellers of Casumba. We believe the share will continue to trade at a discount to peers given that the assets to which the earn-outs relate have performed worse than last year. The profit warning also highlights the shift in Raketech's revenue mix, with a higher share of upfront payments that increase the risk in estimates and render the company more vulnerable to larger changes in Google's algorithms. We thus see an ongoing discount versus peers as justified, but we believe the cash flow valuation is particularly interesting.

Estimate changes on hold but an updated fair value

The new EBITDA guidance is around 17% lower than our full-year estimates, which were already at the lower end of the company's previous guidance. In recent years, Raketech has either raised or reached its full-year guidance at the start of the year. This quarter breaks that trend decisively. We await the full report on 15 May before reviewing our estimates. We believe, however, this profit warning justifies a higher required rate of return in our DCF valuation, leading us to reduce our fair value to SEK18–22 (24–28). Our new required rate of return is 16% (13%).

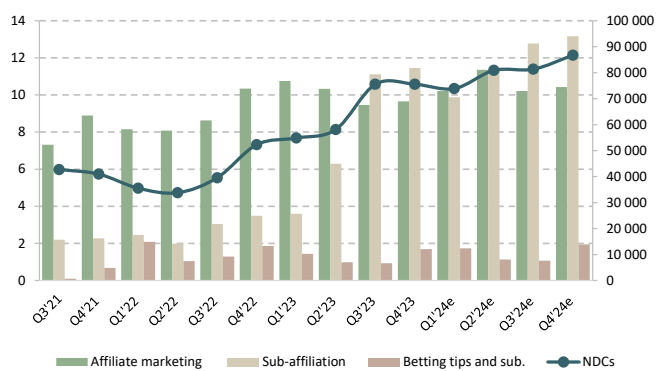
Change in estimates				Forecasts (€m)				Value and risk			
	24e	25e	26e	2023	2024e	2025e	2026e	Fair value	SEK 18.0 - 22.0		
Total Revenues	0.0%	0.0%	0.0%	78	95	107	116	Share price	SEK 11.5		
EBITDA, adj.	0.0%	0.0%	0.0%	Revenue growth	48%	23%	12%	8%	Risk level	Medium	
EPS, adj.	0.0%	0.0%	0.0%	EBITDA, adj.	24	24	26	28	Price Performance 12 months		
Upcoming events				EBIT, adj.	12	12	14	16			
Q1 - report	15 May 2024			EPS, adj.	0.2	0.2	0.3	0.3			
Q2 - report	14 August 2024			EPS growth, adj.	-22%	50%	19%	15%			
Company facts (€m)				BV/share	2.3	2.4	2.6	2.7			
Number of shares	43m			Dividend per share	0.1	0.2	0.2	0.2			
Market capitalisation	42			EBIT margin	15.0%	12.7%	13.4%	14.0%			
Net debt	43			ROE, adj.	6.7%	9.6%	10.9%	12.0%			
EV	85			ROCE, adj.	10.6%	10.8%	12.3%	13.4%			
Free float	74%			EV/Sales	1.4x	0.9x	0.8x	0.7x			
Daily trading volume, average	212k			EV/EBITDA	4.7x	3.5x	3.2x	3.0x			
Bloomberg Ticker	RAKE SS EQUITY			EV/EBIT	9.5x	7.0x	5.9x	5.2x	Conflicts of interest		
Analyst				P/E, adj.	10.4x	4.3x	3.6x	3.1x		Yes	No
Rikard Engberg				Dividend yield	7.3%	16.3%	19.9%	22.3%	Liquidity provider		✓
rikard.engberg@carnegie.se				FCF yield	23%	47%	50%	53%	Certified adviser	✓	
								Transactions 12m		✓	

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	10.2	9.8	9.9	10.1
Sub-affiliation	2.5	2.0	3.1	3.5	3.6	6.3	11.1	11.4	9.0	8.2	12.4	12.8
Betting tips and sub.	2.1	1.1	1.3	1.9	1.4	1.0	0.9	1.7	1.4	1.0	0.9	1.7
Total Rev.	12.7	11.1	13.0	15.7	15.8	17.6	21.5	22.8	20.6	19.0	23.3	24.7
COGS	-3.6	-2.7	-3.6	-4.3	-4.2	-6.6	-10.5	-11.3	-11.1	-8.5	-12.0	-12.7
Gross result	9.1	8.4	9.4	11.4	11.6	11.0	11.0	11.5	9.5	10.5	11.4	11.9
Employee costs	-2.1	-2.2	-2.1	-2.3	-2.3	-2.6	-2.5	-2.6	-2.5	-2.5	-2.5	-2.5
Other Costs	-1.9	-2.0	-1.9	-2.3	-2.8	-2.8	-2.9	-2.9	-2.8	-2.8	-3.4	-3.6
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	2.2	2.5	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	1.6	1.4	1.5
Tax	-0.3	-0.1	-0.3	-1.0	-0.2	-0.1	-0.3	-0.3	-0.1	-0.2	-0.2	-0.2
Profit after Tax	2.7	2.0	2.9	3.0	3.3	1.7	1.5	1.9	0.4	1.5	1.2	1.3
Affiliate marketing growth y/y					32%	28%	10%	-7%	-5%	-5%	5%	5%
Growth Sub-affiliation y/y					46%	217%	264%	228%	150%	30%	12%	12%
Growth Betting tips and sub. y/y					-31%	-6%	-28%	-9%	0%	0%	0%	0%
Gross Margin	72%	76%	73%	72%	73%	62%	51%	51%	46%	55%	49%	48%
EBITDA	5.2	4.2	5.5	6.8	6.5	5.5	5.6	6.0	4.3	5.2	5.5	5.8
EBITDA-margin	41%	38%	42%	43%	41%	31%	26%	27%	21%	27%	23%	24%
EBIT-margin	26%	21%	28%	30%	27%	14%	10%	12%	6%	12%	11%	11%
EPS	0.05	0.03	0.05	0.06	0.07	0.04	0.02	0.03	0.02	0.04	0.05	0.05

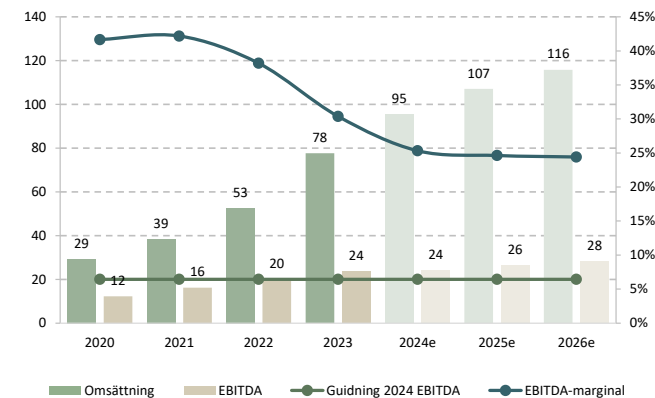
Source: Penser by Carnegie

Segments Q/Q (EURm)



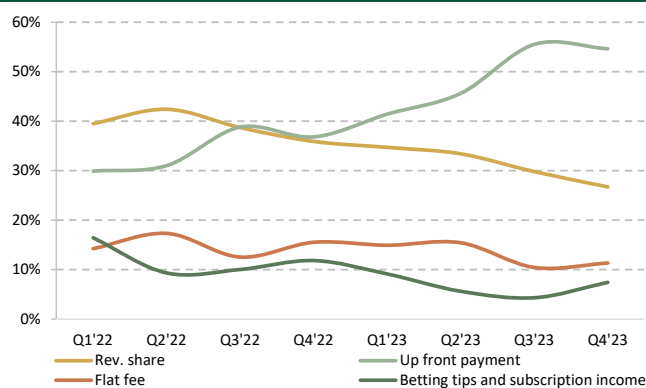
Source: Rakotech, Penser by Carnegie

Annual estimates (EURm)



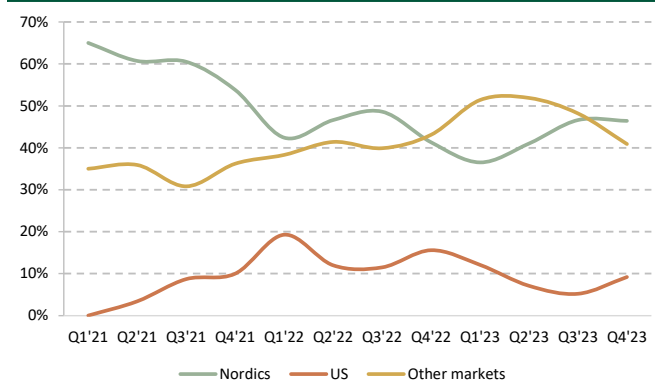
Source: Rakotech, Penser by Carnegie

Higher share of upfront payments increases risk in estimates...



Source: Rakotech, Penser by Carnegie

...despite greater geographical diversification



Source: Rakotech, Penser by Carnegie

Valuation

DCF

Valuation output		WACC assumptions		Terminal value assumptions	
Sum of PV of FCF (explicit period)	81	Risk free nominal rate	2,5%	Long term growth rate	2%
PV of terminal value (perpetuity formula)	52	Risk premium	5,5%	Long term EBIT margin	26%
Enterprise value	132	Small cap premium	6,0%	Depreciation (% of sales)	2%
Latest net debt	43	Extra risk premium	2%	Capex (% of sales)	4%
Minority interests & other	0	Cost of equity	16,0%	Working cap. (% of sales)	5%
Equity value	89			Tax rate	12%
No. of shares outstanding (millions)	43				
Equity value per share	21				

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%	
WACC	15,0%	22	22	23	24	25	15,0%	19	21	23	20	22
	15,5%	20	21	22	23	24	15,5%	17	20	22	19	21
	16,0%	19	20	21	21	22	16,0%	16	18	21	18	20
	16,5%	18	19	19	20	21	16,5%	15	17	19	17	18
	17,0%	17	17	18	19	19	17,0%	14	16	18	15	17

Source: Raketech, Penser by Carnegie

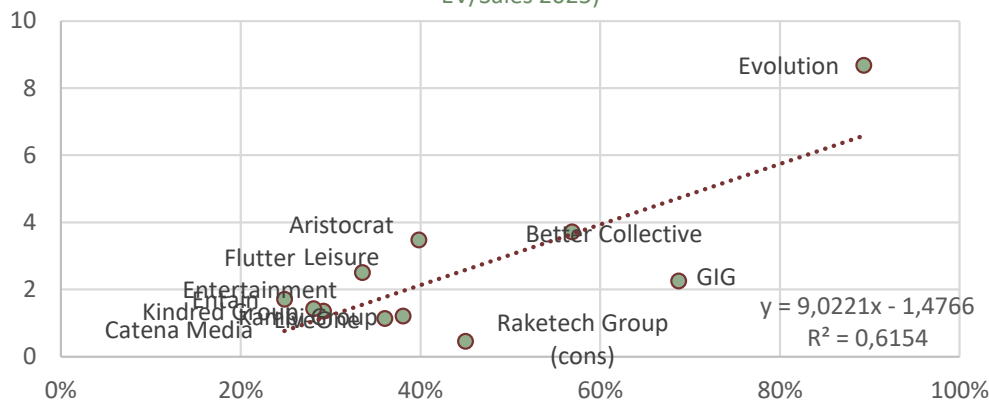
Peer group

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	4 315	5 054	5,01x	2,55x	2,25x	11,1x	6,2x	5,1x	15,6x	9,3x	7,4x	25,2x	11,0x	7,9x	
LiveOne	1 992	2 203	1,80x	1,36x	1,13x	409,1x	11,3x	8,5x	--	194,8x	48,9x	(10,1x)	--	92,0x	
Kindred Group	26 618	25 614	1,59x	1,44x	1,35x	9,0x	7,4x	6,3x	12,9x	9,8x	8,0x	38,3x	12,8x	10,2x	
Kambi Group	3 139	2 646	1,33x	1,28x	1,21x	3,9x	4,0x	3,7x	10,4x	13,6x	11,9x	17,9x	20,4x	17,9x	
Better Collective	18 587	20 563	5,48x	4,30x	3,72x	16,1x	13,2x	10,7x	21,6x	19,0x	15,0x	36,1x	24,7x	18,4x	
Evolution	266 603	249 678	11,62x	10,06x	8,68x	16,5x	14,4x	12,2x	18,4x	15,9x	13,5x	21,0x	19,7x	16,7x	
Flutter Entertainment	362 837	417 398	3,24x	2,78x	2,50x	22,5x	15,7x	12,5x	95,7x	30,3x	22,8x	--	30,0x	21,4x	
Entain	68 795	117 075	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	178 083	174 191	3,88x	3,68x	3,47x	11,7x	10,9x	10,1x	14,3x	13,1x	12,4x	17,7x	17,8x	16,4x	
Raketech Group (cons)	564	560	0,70x	0,51x	0,46x	2,1x	1,9x	1,7x	3,9x	4,1x	3,3x	6,1x	4,8x	3,7x	
Mean			3,65x	2,97x	2,65x	51,1x	9,3x	7,9x	23,8x	32,3x	15,4x	16,3x	18,1x	21,9x	
Median			2,54x	2,16x	1,98x	11,4x	9,7x	8,2x	15,6x	13,4x	12,1x	17,9x	19,7x	16,5x	

Source: Factset

Value creation

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



Source: Factset

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