Gambling.com Group Limited  
Third Quarter 2022 Earnings Results Call  
November 17, 2022  

Presenters  
Peter McGough - Vice President, Investor Relations  
Charles Gillespie - Co-Founder and CEO  
Elias Mark - Chief Financial Officer  

Q&A Participants  
Barry Jonas - Truist  
Jeff Stantial - Stifel  
David Katz - Jefferies  

Operator  
Greetings. And welcome to the Gambling.com Group Third Quarter 2022 Earnings Results Call.  

At this time, all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation. If anyone should require operator assistance during the conference, please press “*”, “0” on your telephone keypad.  

As a reminder, this conference is being recorded. It is now my pleasure to introduce your host, Peter McGough, Vice President of Investor Relations. Thank you, Mr. McGough. You may begin.  

Peter McGough  
Thank you. Hello, everyone. And welcome to Gambling.com Group’s third quarter 2022 earnings results call. I am Peter McGough, Vice President of Investor Relations. I am joined by Charles Gillespie, Chief Executive Officer and Co-Founder; and Elias Mark, Chief Financial Officer.  

The call is being webcast live through the Investor Relations section of our website at gambling.com/corporate/investors, and a downloadable version of the presentation is available there, as well. A webcast replay will be available on the website, after the conclusion of this call. You may also contact Investor Relations support by emailing investors@gdgroup.com.  

I would like to remind you that the information contained in this conference call, including any financial and related guidance to be provided, consists of forward-looking statements as defined by securities laws.
These statements are based on information currently available to us and involve risks and uncertainties that could cause actual future results, performance, business prospects and opportunities to differ, materially, from those expressed in or implied by these statements.

Some important factors that could cause such differences are discussed in the Risk Factors section of Gambling.com Group’s filings with the Securities and Exchange Commission.

Forward-looking statements speak only as of the date the statements are made and the company assumes no obligation to update forward-looking statements to reflect actual results, changes in assumptions, or changes in other factors affecting forward-looking information, except to the extent required by applicable securities laws.

During the call, there will also be a discussion of non-IFRS financial measures. A description of these non-IFRS financial measures is included in the press release issued earlier this afternoon, and reconciliations of these non-IFRS financial measures to their most directly comparable IFRS measures are included in the appendix to the presentation and press release, both of which are available in the Investors tab of our website.

I will now turn the call over to Charles.

Charles Gillespie
Thanks, Peter, and welcome, everyone. This afternoon, we reported our third quarter results with all-time record revenue and free cash flow of $4.9 million. Our results clearly highlight the continued strength of our core business and the benefit of our Q1 acquisitions.

What’s also clear is that we are delivering record operating results now based on the unique moat we have built in performance marketing, that macroeconomic headwinds are not stopping us from delivering on our forecast for revenue growth and that our prospects for continued high growth over the near- and long-term remained unchanged.

I am now on Slide 4 for those following the presentation. Revenue grew 94% to $19.6 million, with almost 300% growth in North America revenue. With this revenue growth, we generated $6.4 million of adjusted EBITDA and $4.9 million in free cash flow.

Our strong profitability continues to differentiate us from most other online sports betting, media and iGaming companies that the investment community follows closely.

We delivered over 68,000 new depositing customers, an increase of 152% over Q3 2021, when we delivered 27,000. The increase in NDCs continues to be driven by our expanded portfolio of websites, as well as ongoing growth in existing websites.
Slide 5, progress with our strategic objective to grow our North American presence was again evident in Q3. After growing more than 500% year-over-year last quarter, North American revenue grew nearly 300%, year-over-year, to $9.1 million in the third quarter.

The increase includes our strong first month of performance in Kansas, following the successful launch of online sports betting on September 1st and the broad uptake of sports betting in the month of September at the start of the NFL season.

With our continued momentum and positive outlook, there is no change to our prior expectation that the North American sports calendar will drive growth for the balance of the fall and winter season.

And the launch of new regulated markets in the U.S. will continue to be a key driver of our growth in future years.

Our McClatchy media partnership performed well in the quarter, boosted by the start of the NFL season and its in-market properties in Kansas.

Similarly, BonusFinder.com continued to perform ahead of plan in the quarter, providing a great platform to expand in the Canadian market and beyond.

Our performance marketing efforts on RotoWire are also gaining momentum, yielding results and positioning us for key upcoming state launches. The increase in RotoWire’s performance marketing revenue this quarter has validated our investment thesis for the acquisition. Our digital teams have also optimized RotoWire’s subscription business, which has driven substantial revenue growth.

Business in the U.K. and Ireland continued to be strong in the quarter and increased 58%, compared to last year, despite material currency headwinds. And despite over 15 years of regulated online gambling in the U.K., we delivered an all-time record revenue performance.

On to Slide 6. Our growth in North America, along with strong revenue in our more mature markets, continues to demonstrate the breadth, quality and effectiveness of our portfolio of websites and technology platform. We will continue to invest in our portfolio to strengthen our cash generated websites and to ensure that we are well positioned with additional websites to win new markets as they launch.

In addition to our established cash generating websites, we own and operate a number of additional websites, which are ready to be monetized as soon as the respective state launch, including BetMaryland.com, BetOhio.com and BetMassachusetts.com. These sites on these premium domains have been developed in-house on our technology platform, which will maximize our return on those investments.
On Slide 7. Kansas is a great case study for our strategy to invest in premium domains ahead of the launch of sports betting in a new state. We had a very successful launch in Kansas, driven by our property, BetKansas.com, which led the way among our assets, in terms of delivering new depositing customers to our partners in Kansas.

In market media outlets via the McClatchy partnership also helped to deliver great initial contributions from Kansas.

The timeline for Maryland has now come into focus, and we expect multiple operators to go live, next week. Ohio remains on track for a January 1st market launch, and we are well positioned there with BetOhio.com.

Now, I’d like to turn the call over to our CFO, Elias Mark, to discuss our third quarter and year-to-date financial performance in greater detail.

Elias Mark
Thank you, Charles, and welcome, everyone. As Charles mentioned, we saw another strong quarter of financial results, during the third quarter.

On a constant currency basis, revenue of $19.6 million increased 128%, compared to the prior year, or 94% inclusive of currency headwinds that impacted reported revenue by $1.5 million.

The increase in revenue was driven by strong growth in NDCs in both, North America and the U.K. and Ireland. The strength in the U.K. and Ireland was partly offset by the weakening pound and euro against the U.S. dollar.

New depositing customers in the quarter grew 152% to more than 68,000, compared to 27,000 in Q3 of last year. The increase was led by strong growth in North America and the U.K. and Ireland.

As a reminder, we began recognizing cost of sales during the first quarter, as a result of our new media partnerships and the subscription business of RotoWire.com. In the third quarter, this amounted to $0.6 million.

Our total operating expenses were $18.9 million, which was an increase of $11.2 million. Total operating expenses were inclusive of $3.7 million of fair value movements in contingent consideration related to the BonusFinder.com acquisition.

Adjusted for fair value movements, adjusted operating expenses were $15.2 million.

On a constant currency basis, adjusted operating expenses increased by $8.6 million. This increase was driven primarily by additional headcount across marketing, products, sales and
technology functions, public company expenses, as well as increased amortization related to our Q1 acquisitions.

During 2022, we expect to incur amortization of approximately $4.7 million related to these Q1 acquisitions, with $3.6 million of that incurred, through the first nine months of 2022.

We continue to, prudently, invest and hire to help build out our growing organization. Our pace of recruitment moderated in the third quarter, as we are nearing the starting levels necessary to support our near- and longer-term growth objectives.

Our profitability and free cash flow will continue to, organically, support our investment needs, going forward.

Net income totaled $2.3 million or $0.06 per diluted share, compared to net income of $4.7 million, or $0.13 per diluted share in the prior year.

Adjusted for fair value movements in contingent and deferred consideration, adjusted net income in the quarter was $6 million and adjusted earnings per share was $0.16 per diluted share.

Net income and adjusted net income benefited from $2.8 million of net Forex gains in the quarter. We will continue to adjust operating profit and net income in this manner, until the end of the earn-out period of BonusFinder.com at the end of 2023.

We generated third quarter adjusted EBITDA of $6.4 million, compared to $4.9 million in the prior year. This 32% growth represents the benefit of the topline growth, partially offset by higher operating expenses.

Adjusted EBITDA margin was 33%, compared to 48% in 2021, reflecting the increased operating expenses from our investments in the organization to drive organic growth, as well as the inclusion in our revenue mix of the lower margin profile of RotoWire.com and the McClatchy partnership.

Total cash generated from operations of $5.6 million increased from $1.4 million in Q3, driven--in Q3 2021, driven by strong year-over-year revenue growth. We generated third quarter free cash flow of $4.9 million as capital expenses were scaled back as planned, after having invested in our portfolio of U.S.-focused domains.

I will reiterate that we remain able to entirely fund our organic growth initiatives from operating cash flow, while continuing to generate positive free cash flow.

With respect to capital allocation, in addition to investing to grow our business, today, we announced the share repurchase program that’s authorized to buy back up to $10 million of our
outstanding shares at $10 million worth of our outstanding shares. Cash as of September 30, 2022, totaled $35.1 million, a $4 million quarter-on-quarter increase.

Turning to the financial results for the first nine months of the year, revenue grew 94% on a constant currency basis to $55.2 million, or 72% inclusive of a $3.7 million impact from currency headwinds.

We delivered over 191,000 new depositing customers, representing growth of 115%, compared to the first nine months of 2021.

We recorded net income of $6.8 million or $0.18 per diluted share, compared to $11.6 million, or $0.34 per diluted in 2021. Adjusted net income was $13.6 million and adjusted earnings per diluted share was $0.37.

Net income and adjusted net income benefited from $6.4 million on net Forex gain. Adjusted EBITDA increased by 7% to $17.2 million, reflecting an adjusted EBITDA margin of 31%. Free cash flow in the first nine months of the year was $9.1 million, compared to $10.3 million in 2021. The decrease was primarily a result of a higher capital investment.

Turning to our outlook. We are now in the heart of a seasonally stronger period of the fall and winter sports calendar, which is expected to continue, through Q1 of next year.

It is worth noting that Q3 benefited from a particularly strong performance of the business, during the Kansas state launch. We expect the first operation in Maryland to go live next week, which has the potential to be another great sports betting market, over the next two quarters.

The weakening of the pound and euro against the U.S. dollar negatively affected reported revenue by $3.7 million and positively affected operating expenses by $2.4 million in constant currency terms in the first nine months. Our guidance assumes a euro to USD parity for the fourth quarter of 2022.

We continue to see no deterioration of consumer demand for online gambling, year-to-date. We continue to monitor consumer behavior closely in Europe and North America.

From our perspective, demand for performance marketing services for the online gambling industry remains strong and it’s even more valuable to operators as they come under pressure to deliver tangible ROI on their marketing spend.

As we continue to gain additional scale, particularly through increased delivery of NDCs to our customers, that scale gives us additional pricing power.

Given these factors and notwithstanding adverse currency movements, we are reiterating our 2022 guidance for revenue in the range of $71 million to $76 million, representing growth of
68% to 80% and adjusted EBITDA between $22 million and $27 million, representing growth of 20% to 47%.

With that, I will turn the call back over to Charles.

**Charles Gillespie**

Thanks, Elias. Before we wrap up for questions, I’d like to provide some additional perspective on the market today and going forward.

The business continues to be well positioned for the remainder of the fall and winter sports seasons. We are looking forward to the expected start of regulated sports betting in Maryland, when the first operators go live next week, as well as rescheduled of Ohio launch on January 1st.

The 2023 legislative season kicks off in January, and we believe that sports betting legislation could be considered in North Carolina, Georgia and Texas. We also believe that iGaming could come up for a vote in these legislatures of New York, Indiana, Illinois and Iowa.

Our long-term outlook on broad-based expansion of regulated online gambling in North America remains unchanged. We continue to expect states to regulate online sports betting, where retail sports betting exists and states that have online sports betting to move towards regulated iGaming.

To continue to best position ourselves for the future of iGaming around the world, we recently completed the acquisition of a superstar marquee domain which, in our view, is the single most desirable and valuable domain name for companies in our line of business, Casinos.com.

The addition of Casinos.com to our already best-in-class domain portfolio enables us to build another powerhouse global brand, alongside Gambling.com using our existing teams, technology and knowhow.

We look forward to sharing more details on this exciting project with this irreplaceable domain name, as we get closer to formally launching a new, fully featured website. With this addition, we have largely completed our portfolio of premium domain names for the North American market.

We continue to strengthen our ability to deliver performance marketing services to online operators by growing our traffic and expanding our portfolio of brands. Our low risk, high ROI value proposition for operators is more relevant to U.S. operators than ever before, as they continue to drive towards EBITDA positive results.

I will end by once again thanking the brilliant team at Gambling.com Group for their exemplary efforts in delivering yet another record quarter.
With that, we would be happy to open up the line for questions.

**Operator**
Thank you. We will now be conducting a question-and-answer session. If you would like to ask a question, please press “*”, “1” on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press “*”, “2” if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset, before pressing the star keys.

One moment, please, while we pull for questions.

Our first question is from Barry Jonas with Truist. Please proceed with your question.

**Barry Jonas**
Hey, guys. Just a couple of questions. I wanted to start on the European business. I was hoping to drill down into some of the underlying trends you’re seeing there. And is it possible to get the constant currency growth in Q3 for U.K. and Ireland and other Europe?

**Elias Mark**
We haven’t broken it out exactly, but the quarterly effect on FX was about $1.5 million and that actually relates to our European business.

**Barry Jonas**
Got it. And then just any--maybe just talk about some underlying trends you’re seeing, across Europe?

**Elias Mark**
Yeah. I think the strength in this quarter was largely driven by the U.K. and Ireland. We’ve seen incredibly strong trading that’s driven by us taking market share, predominantly. We’ve just had very good execution in that market.

Across other markets in Europe, we’ve been doing okay in places like Germany and Sweden, but the predominant growth driver outside of North America has been the U.K.

**Barry Jonas**
Got it. Got it. And then curious if you could talk about the M&A environment and if you could kind of bucket it between Europe and the U.S. would be helpful. Thanks.

**Charles Gillespie**
Hey, Barry. We’re still very focused on M&A, but the bars for--the bars you need a hurdle to make a deal worthwhile are kind of higher than they’ve been in a while; cost of capital is up, macroeconomic risks are up.
So, being prudent, we’re continuing to have lots of conversations, some of which are fairly interesting. But for us to really pull the trigger on something, we’re going to need to be extremely comfortable. And historically, we’ve been very picky with our acquisitions, even in a kind of normal market.

So, conversations definitely ongoing, still have a preference for U.S. or North American assets, but we don’t feel like we’re under any pressure to do the next deal, and we’re being quite cautious with how we run the business, given some of the larger uncertainties out there.

**Barry Jonas**
Understood. And if I could sneak one more in, I wanted to talk a little bit more about margins, specifically, as we think about 2023 and beyond. How should we think about the long-term margin profile, here? Do we get back to 40% plus, or is some of the M&A just compositionally changed where to think about where you wind up? Thanks.

**Elias Mark**
Yeah. I think our revenue mix has changed with the acquisition of RotoWire and with the addition of media partnerships. And for that reason, the midterm, at least margin profile would be under the 40% mark. It’s still a high margin business, but it’s not at high margin as you see in our organic traffic driven business. We also see, like everyone else, their cost inflation that puts a little bit of pressure on operating margins.

**Barry Jonas**
Understood. All right, guys. Thank you so much. Appreciate it.

**Elias Mark**
Thanks.

**Operator**
Our next question is from Jeff Stantial with Stifel. Please proceed with your question.

**Jeff Stantial**
Hey. Great. Thanks. Afternoon, guys. Thanks for taking the questions and congrats on a nice quarter here. I just wanted to start, if possible, on guidance. It looks like the midpoint implies about $18 million of revenues versus close to $20 million just reported for Q3. Can you just frame some of the puts and takes there, it seems to get conservative when you consider tailwinds from the North American sports calendar, plus we’ve got the World Cup kicking off soon, which should support the European business.

And then conversely, on the margin side, if you think the midpoint of both revenues and EBITDA implies about 40% margins, which based on lots of those comments to Barry’s third
question, seems a bit ahead of kind of where you see margins stabilizing-stabilizing out longer term. So can you just help us kind of marry those two? Thanks.

Elias Mark
Sure. I think if we look at the third quarter, we had a very strong start in the Kansas market, which drove the outperformance on revenue. As I touched upon before, we have seen a little bit of pressure on the cost side. So, we are operating on slightly lower margins than what the analyst forecasts were suggesting.

Looking--if you look into the fourth quarter, we are in a seasonally stronger quarter, overall, but we don’t have the big bang state launch that we saw in Q3. Maryland is launching, and this was confirmed, I think, this morning. It’s a little bit difficult to know how that will play out.

We’re currently being cautious in our assumptions on Maryland for the fourth quarter, but we expect the biggest impact to come in the first quarter.

Jeff Stantial
Great. That’s helpful. Thank you.

Elias Mark
On operating expenses, I think Q3 adjusted operating expenses is a good ballpark number. You will see some, possibly a small increase on that, but we have scaled down the pace of hiring, as we don’t grow operating expenses in the same way that we did in the first half of the year.

Jeff Stantial
Okay. Understood. Great. That’s helpful. Thank you. And then for my follow-up, could you just frame how you’re thinking about the repurchases here a little bit more? I think you kind of answered this in the prepared remarks, but is this going to be more opportunistic versus programmatic?

And kind of how do you marry kind of spotting dislocations in valuation and leaning into the repurchase program to exploit that versus making sure there’s enough liquidity in the stock for shareholders? Thanks.

Charles Gillespie
Yeah. We do see some risks on horizon in terms of economy, geopolitical markets. And if the shares come under pressure and there’s an opportunity to opportunistically buy back our shares, then we want to be able to do that for the benefit of all of our shareholders. And that’s-I think that’s the thinking behind it.

Jeff Stantial
Okay, thanks. That’s helpful, Charles. And then if I could just squeeze in one more. One of your competitors talked today in their earnings release about making much more of kind of a
marked push to switch to more of a rev share model here in the U.S. Can you just talk about how you think about pricing strategy in the near-term and if you think it could make sense to start to push more rev share or hybrid models versus predominantly CPAs, as the market stands? Thanks.

Charles Gillespie
Yeah. We run the same calculations that they do and we are, increasingly, interested in monetizing with rev share in the United States, but we are not pushing as hard as they are.

Jeff Stantial
Perfect. That makes sense. That’s all I had. I’ll pass it on. Thank you both.

Operator
Thank you. Our next question is from David Katz with Jefferies. Please proceed with your question.

David Katz
Hi. Afternoon, everyone. Charles, if you could just talk a little bit about what we’ve seen from operators with the narrowing losses. And the degree to which that is good for you or neutral for you or is it, in some way, does it make them less inclined to ramp up their affiliate business. If we can just talk about the puts and takes and issues around that, please.

Charles Gillespie
Yeah. I think it’s great for us. The more focused on ROI they are, the more they will invest into the affiliate channel, the performance marketing channel, because it’s just basically guaranteed ROI.

And to the extent the overall U.S. landscape improves its profitability, then it creates kind of warmer waters for more operators to enter the U.S.

There’s been some kind of high profile exits, and I think that’s in part due to this--the incredible amount of non-performance marketing that these operators were doing for the last couple of years. And everyone felt like they had to do that to compete.

And I think the market will there, I say, move in a slightly more European direction, where the marketing and advertising will be more performance driven. And thus, everybody’s bottom line will improve and the entire kind of the attractiveness of the entire endeavor will improve and that would, potentially, see more people entering the space, which is a good thing for us.

David Katz
Understood. And if I can just go back to the repurchase, which is a nice surprise, if you could talk about that decision in comparison to other acquisition opportunities that may be out there
and whether this implies anything about the lack thereof, is this and rather than or? Just help us
think that true.

Charles Gillespie
Yeah. It’s definitely an and situation. Look, obviously, a company called Gambling.com Group
likes the name names, right? And we’ve done—we’ve built an absolutely brilliant business off of
Gambling.com and for the listeners that may not know the full story there.

We bought that domain in 2011 for $2.5 million, and the business behind that website now is
just incredible. And we see an opportunity to not only do the same thing with Casinos.com but
do it faster with all the lessons we’ve learned in the past 11 years and do it, frankly, with more
laser focus, because Gambling.com covers everything, right.

Gambling.com touches anything related to gambling-poker, bingo, sports betting, casino. Whereas Casinos.com is just casinos and casino is, as I’m sure everyone on the call knows, the
most lucrative gaming product.

The slots and the casino games are simply the--where the money is made in this industry. And
by having Casinos.com, I mean, we just couldn’t--we couldn’t think of a better domain than
that.

So, when the opportunity came up to buy it, we didn’t hesitate, and it’s a very exciting project
and it has the potential to play well with M&A in the future, also. It obviously opens up even
more options for us, as we look at what we are going to do with Casinos.com and how we
achieve its full potential.

David Katz
Thank you very much.

Operator
There are no further questions at this time. I would like to turn the floor back over to
management for closing comments.

Charles Gillespie
Thanks, everybody, for joining us, today. It’s been a pleasure. We look forward to finishing the
year strong and updating you with our full year results, next year. Thank you very much.

Operator
This concludes today’s teleconference. You may disconnect your lines at this time. Thank you
for your participation.