

Gambling.com Group Limited
Announcement of Acquisition of RotoWire
December 14, 2021

Presenters

Ryan Coleman - Investor Relations

Charles Gillespie - Chief Executive Officer and Co-Founder

Elias Mark - Chief Financial Officer

Q&A Participants

Barry Jonas - Truist Security

Operator

Greetings and welcome to the Gambling.com Group announcement of their acquisition of RotoWire.

At this time, all participants are in a listen only mode.

A 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.

I would now like to turn the conference over to your host, Ryan Coleman, with Investor Relations. Thank you. You may begin.

Ryan Coleman

Hello, everyone, and welcome to this special call hosted by Gambling.com Group. I’m joined by Charles Gillespie, Chief Executive Officer and Co-Founder, as well as Elias Mark, Chief Financial Officer.

This call is being webcast live in the Investor Relations section of the website at gambling.com/corporate/investors, and a downloadable version of the presentation is available there, as well.

A webcast replay will also be available on the site, after conclusion of this call. You may also contact Investor Relations Support by emailing investors@gdcgroup.com.

I’d 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 law.

These statements are based on information currently available to us and involve risks and uncertainties that could cause actual future results, performance and 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 Factor section of Gambling.com Group's filing 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 and 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 company's file prospectus filed with the SEC on July 19, 2021, pursuant to rule 424b under the Securities Act in connection with our initial public offering, registration statement on Form F-1 and reconciliations of these non-IFRS financial measures to their most directly comparable IFRS measures are included in that prospectus, both of which are available in the Investors tab of our website.

With that, I'll now turn the call over to Charles.

Charles Gillespie

Thanks, Ryan. Welcome, everybody, and thank you for joining us on short notice for this special call.

Yesterday afternoon, we announced the acquisition of RotoWire.com, the original authority in fantasy sports and a leading nationally syndicated sports news and information service, for a total consideration of \$27.5 million.

With a laser focus on fantasy sports for the past 25 years, RotoWire has built a successful business which sits at the heart of the American sports experience.

RotoWire publishes and distributes news, player updates and statistics via RotoWire.com, IOS and android apps, and through its media partners.

RotoWire generates revenue from subscriptions to premium content from B2B media services and from advertising.

While RotoWire's historical focus has been on season-long fantasy sports, and more recently, daily fantasy sports, this acquisition is all about sports betting, specifically, about accelerating the growth of gambling.com Group's sports betting affiliate revenue in the United States.

Before we go into further depth on RotoWire, I'd like to, briefly, provide an overview of our existing business on Slide 4, to help illustrate where we sit, today, and set the stage for how the RotoWire acquisition will accelerate our strategy to drive U.S. growth.

Gambling.com Group is an affiliate marketing company, which operates, exclusively, in the global online gambling industry.

We operate over 30 different websites, which help consumers of online gambling find and select the best products available to them.

Fundamentally, each one of these websites offers an online gambling comparison shopping experience, showcasing the different online sports folks, online casinos and online poker rooms available to users, across 14 different national markets.

Regulated online gambling operators cooperate closely with us to be featured on our websites and pay us for delivering new depositing customers to their platforms.

Since our start, 15 years ago, we have built an affiliate marketing powerhouse with widely recognized brands. We have leveraged these premium brands, including Bookies.com and Gambling.com to establish leading positions, across our markets.

Our main markets include the UK, Ireland, the U.S., Canada, as well as several other European markets.

We've experienced recent growth across all of our market segments, with strong growth in North America and, in particular, in the U.S. The online gambling market in the U.S. is a high growth industry, and we are uniquely positioned to thrive, regardless of which online gambling operators prevail, as market leaders.

Our sites and services create value in two key ways. First, we help B2C online gambling operators achieve their player acquisition targets, by delivering them new depositing customers. Our online gambling operator clients compensate us on a performance basis, according to the number and quality of players that we refer to them.

And second, we simultaneously help players, by providing them with the up-to-date information and tools to help them make the right choice, when choosing an online gambling company, ensuring that they get a quality entertainment experience from a responsible business.

Moving on to Slide 5, here we highlight some of the over 200 online gambling operators we work with, at present, to support their customer acquisition efforts, including the most recognized names in the industry, such as DraftKings, Stangel, BetMGM, Caesar's Points Bet, and many, many more.

We have a proven and scalable business model, backed by proprietary technology solutions and premium brands, which is driven by an experienced management team, which includes American founders with deep knowledge of the U.S. market.

And as online gambling legislative momentum continues to build in the U.S., our TAM continuously expands, as new states and new products come online.

Slide six provides a more detailed overview of RotoWire. RotoWire is the original authority in fantasy sports and is known by sports fans across the U.S. as a key source of player information.

The company was founded in 1997 by Peter Schoenke, Herb Ilk and Jeff Erickson and today, the company is based in Madison Wisconsin with 32 full-time employees and more than 150 external contributors.

The company sits at the center of the U.S. sports experience, as a trusted news and information source, and they syndicate their content to over 70 partners that include ESPN, CBS Sports, Yahoo Sports and the NFL.

RotoWire has over 100,000 paid subscriptions, year to date, as well as more than 17 million unique visitors to its website.

Importantly, RotoWire is a technology first company in the same ways as Gambling.com Group. They have not hesitated to invest in their internal platforms to create compelling data-driven premium content.

RotoWire has a long history of firsts, including inventing the format for player news alerts that continues in use today. Before the smartphone era, RotoWire started delivering player alerts via FMS and, today, they have developed some of the most popular sports apps in the U.S., which consistently rank as the number one paid sports app in the fall and the spring with the start of football and baseball seasons.

Most important of all is the positioning and authority of their website, RotoWire.com. With an incredible amount of content produced by expert contributors, the RotoWire website is a digital giant.

Year-to-date, the website has received 10 million referrals from search engines. Please keep this figure in mind, as it is key to understanding our plans for the RotoWire Business.

I'm now on Slide 7, where I will break down RotoWire's three revenue streams that we expect will generate more than \$1 million each, this year.

The core of today's RotoWire is their subscription business, which generates just over half of its revenue.

The next biggest segment is B2B media services, where RotoWire supplies its content to sports media organizations like Yahoo Sports and ESPN. This is approximately 30% of revenue.

Last but, certainly, not least, is advertising. While less than 20% of current revenue we expect to be able to dramatically expand our advertising business, by embracing the affiliate model. Currently, the bulk of advertising revenue is generated through display.

I'm now on Slide 8, where we outline the strategic rationale for the deal.

The main purpose of this acquisition is to accelerate the growth of Gambling.com Group's sports betting affiliate revenue in the United States.

The RotoWire.com website is a highly authoritative digital media property, which is ripe for substantial growth, in general, through the implementation of Gambling.com Group's digital marketing expertise and, in particular, our search engine optimization capabilities.

We believe we can drive significant incremental traffic to RotoWire's existing fantasy content but, more importantly, drive significant new traffic to newly created sports betting content, by leveraging RotoWire's expertise, authority and trustworthiness, within the sports community.

We are also excited about the potential RotoWire subscription business. The RotoWire team has, historically, focused on the quality of their underlying content and the Gambling.com Group team will help them with the business side of that content, by bringing in best practices on conversion, monetization, and subscription billing management.

Our increasingly important strategic priority for Gambling.com Group. RotoWire's vast capabilities on content and data and close relationships with a major American sports media will only strengthen our ability to pitch for partnerships with the best targets.

I'm now on Slide 9. Historically, RotoWire's advertising business has been powered by display. Moving forward, we will adjust their model to focus more on search and, in particular, high intent traffic, which is best monetized, through affiliate partnerships.

To put things in perspective, with 10 million search referrals in 2021, RotoWire.com will drive approximately four times more search referral than both Gambling.com and Bookies.com combined, even before RotoWire has been brought up to the same level of search optimization.

Gambling.com and Bookies.com traffic is high intent and exceptionally high value, and the RotoWire traffic is different. It is higher up the funnel, it's lower intent and it's lower value. So, this is not a like for like comparison.

But having said that, with such a formidable amount of existing search traffic on RotoWire.com, before we even optimize it, we believe that the potential to drive more traffic through RotoWire's existing content and newly created sports betting content is enormous.

The end game here is to make RotoWire one of, if not the largest, individual online sports betting affiliate website in the United States.

Now, on to Slide 10, where we go into the RotoWire subscription business. RotoWire offers 13 different premium subscription products, designed to give fantasy players an edge. These products are tailored by sport and cover all major North American Leagues.

RotoWire has more than 100,000 paid subscriptions, this year, to these services. These include daily or annual tools for fantasy sports and one-off products like Draft Pass.

The subscription's revenue stream is a new source of recurring revenue, independent from Gambling.com Group's main business. This will provide the group with a foundation of consistent and predictable revenue, which we can use to tighten our forecasting, moving forward.

As stated already, RotoWire's historical focus has been on the quality of the content, not the mechanics of the business side of the subscriptions. We look forward to leveraging the extensive experience managing subscription businesses available around Board of Directors to bring in the right tools and talent to take the RotoWire subscription business to the next level.

Slide 11 highlights RotoWire's B2B media services and partnerships, where the company nationally syndicates their original content, news and data to more than 70 premier industry partners, such as ESPN, CBS Sports, Yahoo Sports and DraftKings. In many cases, these are longstanding partnerships that the company has had for more than 20 years.

We plan to leverage RotoWire's B2B relationships and their ability to supply content, at scale, to close strategically important media partnerships.

Increasingly, we see media partnerships as a logical extension of our existing business, where we help media owners with significant audiences and authority capture high intent traffic.

We can optimize those efforts to an extent that would be impossible for the media partner, on their own, through our better deals, scale, experience and, most importantly, data science.

On to Slide 12. We're very excited that Peter, Herb, Jeff and Tim will be joining our team and are, collectively, bringing with them more than 80 years of experience in the online sports data and information industry.

Peter, Herb and Jeff started RotoWire together in 1997, along with Tim, have proven themselves as entrepreneurs and solid operators, having built out the company into what it is, today.

They have, consistently, innovated with the changing technological mediums that players have used to engage with sports content, and each of them have been authoritative voices in the U.S. sports betting industry, including testifying on Capitol Hill, before Congress and leading the effort for the legalization of online fantasy sports.

We welcome each of them, along with the broader RotoWire team to the Gambling.com Group family and look forward to working together in the years to come.

At the end of the call, I will provide some additional updates for the group around our U.S. expansion efforts. But first, I'd like to hand the call over to Elias to review the financial aspects of the RotoWire deal, in greater detail.

Elias Mark

Thank you, Charles. Slide 13 outlines the deal structure and terms. We will pay a total consideration of \$27.5 million funded with a combination of existing cash balances and newly issued unregistered shares.

At close, we will pay \$20 million, of which \$15 million will be in cash and \$5 million in unregistered shares.

In addition, we will pay the first consideration on the first anniversary of \$2.5 million, and on the second anniversary of \$5 million.

We will have the option to pay each chance of the first consideration with up to 50% in shares.

The deal has already been approved by the Gambling.com Group Board, as well as all of the RotoWire shareholders.

It is subject to customer adjusting conditions, and we expect the transaction to close in early January.

The total consideration of \$27.5 million represents, approximately, four times RotoWire's expected 2021 revenue. We expect the deal to be accretive to 2022 earnings and earnings, per share, and to be highly accretive, by 2023.

At the closing, we expect RotoWire's operating margins to be around 20%. When we start realizing the very substantial revenue synergies from incremental higher margin performance marketing revenue, we expect margins to gradually improve, throughout 2022.

By the end of 2022, we expect margins to be in line with our corporate full year adjusted EBITDA margin target of 40%.

It is worth noting that, post transaction close, we expect the cash balances to remain net cash positive with significant cash balances. This leaves us in a position to continue to, aggressively, pursue our M&A strategy.

With that, I will turn the call back over to Charles for some additional updates, before we move to Q&A.

Charles Gillespie

Thank you, Elias. We'd also like to take the opportunity on today's call to highlight some of the other important work we've been doing in the background, including asset acquisitions and portfolio expansion of our domains.

Now, on Slide 15, we've recently closed the acquisition of USBettingReport.com. This was a small deal but one which is a perfect example of what we look for in acquisitions of affiliate targets, a recognizable branded destination, which is both, under optimized from a search perspective and under monetized from the perspective of deals with our clients.

The seller had done many of the hard yards to build this site, creating a substantial amount of content and making significant progress on search marketing, but by acquiring this site, we are adding another high-quality U.S. facing affiliate site for our portfolio in a very capital efficient way.

As we communicated on our earnings call, last month, we acquired domain names and small websites, such as USBettingReport.com in the normal course of business and consider such acquisitions separate from our main M&A strategy.

The assets of US Betting Report will roll up into our Houston portfolio and be operated by her existing team.

Lastly, on Slide 16, we provide some disclosure for the first time on the high-quality domain name portfolio we have assembled for the U.S. market.

Gambling.com Group has always put a high priority on acquiring the top domain names. These domain names are ultra-prime real estate, and we are seasoned real estate developers.

At this stage, most of the domain names have not yet been developed into websites. And the point, today, is to highlight our intent to be present in every U.S. state, where we expect to drive our online market with one of these ultra-prime domain names to drive growth in the U.S., just as we did in Arizona with BetArizona.com.

So, we now have prime or ultra-prime domain names for future websites, in all 50 states. And I'd like to highlight some of the most sensational domain names we have in this stable, which include BetCalifornia.com, BetTexas.com, BetOhio.com, BetCarolina.com, as well as the recently acquired Stores.com.

We originally paid \$2.5 million for the Gambling.com domain name. The result of that purchase is now obvious to all of our stakeholders, a leading position in the online gambling industry, including being the first and only NASDAQ listed online gambling affiliate marketing company in the United States.

In time, we plan to demonstrate comparable returns for many of these new additions, through our domain portfolio.

With that, we'd be very happy to take a few questions.

Operator

Thank you. If you'd 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'd 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.

In the interest of time, we ask that you each keep to one question, and one follow up.

Our first question comes from the line of Barry Jonas with Truist Security. Please proceed with your question.

Barry Jonas

Great. Thanks so much and congratulations, guys. Appreciate all the helpful color in the deck. But maybe going through the revenue mix of the three segments, just be helpful to maybe talk about how you see that mix developing, over time.

Elias Mark

Yeah, so, what we said here is that we intend to build incremental affiliate marketing revenue on the back of sports betting counting. So, that will be the key growth driver.

But we also see growth opportunities by optimizing the subscription channel, and we see growth opportunities, by expanding the media partnership side.

Barry Jonas

Got it. So, I mean, like should we expect advertising to, our affiliate to be the bulk of the business, over the next few years, or just from a growth profile, I guess that's where you see the largest opportunity.

Elias Mark

Yeah. If we look forward to 2023 and beyond, that would be our expectation.

Barry Jonas

Great. And then just as a follow up, maybe talk a little bit about the M&A pipeline from here, as well as your appetite, this newest being your first yield, what should we expect, going forward?

Charles Gillespie

The party line hasn't really changed, since the last conference call. We are extremely busy. There's an incredible amount of opportunity.

We've had the great pleasure to look at a huge number of deals. This is, obviously, not the only conversation that we're having, and everything in our pipeline is very good. And those targets continually move deeper into the pipeline.

So, it did take a few months to announce the first deal, post IPO. But we wouldn't expect the same amount of delay for the next deal.

Barry Jonas

Great. Thanks, Charles. Thanks, Elias.

Operator

Thank you. Ladies and gentlemen, as a reminder, if you'd like to join the question queue, please press "*", "1" on your telephone keypad. We'll pause a moment to allow for other questions.

Thank you. Ladies and gentlemen, this does conclude our question-and-answer session. I'll turn the floor back to Mr. Gillespie for any final comments.

Charles Gillespie

Thank you, again, to everybody for joining us, today. There's a lot of new information in today's call, but everything we talked about, today, is in support of growing in the U.S., our number one target market.

These announcements represent a significant step up in our U.S. presence and are critically important to accelerating our already high growth in the U.S.

To summarize, we are acquiring a one-of-a-kind asset. RotoWire was significant on top value. We're trying to leverage their formidable digital presence into a leading position in the U.S. online sports betting affiliate market with, also, substantially--by also, substantially, growing their subscription revenue.

Outside of RotoWire, we've been extremely busy evaluating other opportunities and assembling the raw materials necessary to lead in the U.S. The USBettingReport.com and the

blockbuster domain name portfolio we have assembled will play a critical role in that development and differentiate us from our peers.

We appreciate your support and interest in Gambling.com Group, and we look forward to updating everyone, next quarter.

Operator

Thank you. This concludes today's conference. You may disconnect your line at this time. Thank you for your participation.