## Linkfire

## Maintaining revenue forecast, while adjusting EBITDA guidance due to changed market conditions

### Q2 22 webcast

August 25, 2022

Lars Ettrup, CEO and and Co-founder Tobias Demuth, CFO

ARSHMELL

#### **Q&A session and material**

Questions can be raised via the **chat function** or sent to **investors@linkfire.com.** 

All material is available at **bio.to/LINKFI\_IR** or can be downloaded on **investors.linkfire.com**.

Webcast recording available later today.

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- **01** Business, strategy & market updates
- **02** Business highlights Q2
- **03** Financial performance Q2 and H1
- 04 Outlook

**05** Q&A

#### Presenting today



Lars Ettrup CEO and Co-founder



Tobias Demuth CFO



## **01** Business, strategy & market updates



1. We continue to be on a growth mission.

2. Talent and initiatives are needed for growth.

3. Some talent and initiatives have longer return profiles.

#### 4. Current market conditions makes us focus on shorter-term value generating initiatives.

5. Underestimated market / performance signals in Q1.

6. Streamlined organisation in Q2 as a response.

7. Adjusting EBITDA guidance as a result.

8. Revenue growth not always linear, but underlying metrics continue to be strong.

9. Maintain confidence in our revenue forecast for the year and mid-term.

10. Evaluating financing options to continue our growth and profitability journey.

#### Company recap

## We optimize impact, drive streams, increase ticket sales and recommend audio content to billions of fans and listeners on a global scale

Our SaaS marketing platform transformed music marketing and we are now building a global recommendation network for audio entertainment discovery to connect even more fans and listeners to the content they love.

Linkfire's customers and partners include most artists on Billboard's annual HOT 100, all major music labels, global audio and music streaming services, social media apps and media publishers. In 2021, Linkfire enabled 1.6 billion consumer connections through two offerings the Marketing Platform and the Discovery Network.







# We're building a global recommendation network for audio entertainment discovery

#### Value Proposition

Music and entertainment are transcending the traditional streaming services.

Discovery and consumption happens increasingly more across social media, the open web, publishers and other formats.

We provide links and technical integrations that connects consumers fast and frictionless to music and entertainment services wherever they engage online.

#### **Business Model**

We send consumers to the music streaming services and make money when we drive new sales and sign ups.

Our products generate traffic in the billions and are used daily by top artists, labels and social media applications.

Currently, the predominant part of our revenue comes from customers subscribing to our products.

Future revenue growth is mainly expected to come from sales and sign-ups.



### We continue to see an optimistic market with three major market developments

## Increased competition for streaming subscribers

The fight for market share is fueled by subscriber growth.

Increased competition expected to increase the cost to acquire leads for growth.

Represents a material opportunity for companies with valuable industry reach.

## Music is transcending traditional streaming

COVID expedited technological adoption fueling options to consume and discover.

Music increasingly exists in games, social media, live streaming and more and the industry must embrace the complexity.

Linkfire's offering and market position helps navigate the abundance of options.

## Lowered human attention span

The time consumers spend on social media is still increasing and the human digital attention span is decreasing.

Consumers and business alike needs someone to cut through the noise and market complexity.

Linkfire is the missing link.



### Music streaming subscriber growth alone represents a significant opportunity for Linkfire



Subscriber market of music streaming set to increase by more than 600M until 2030.\* Users will switch streaming services. Retention and cannibalisation will be strong

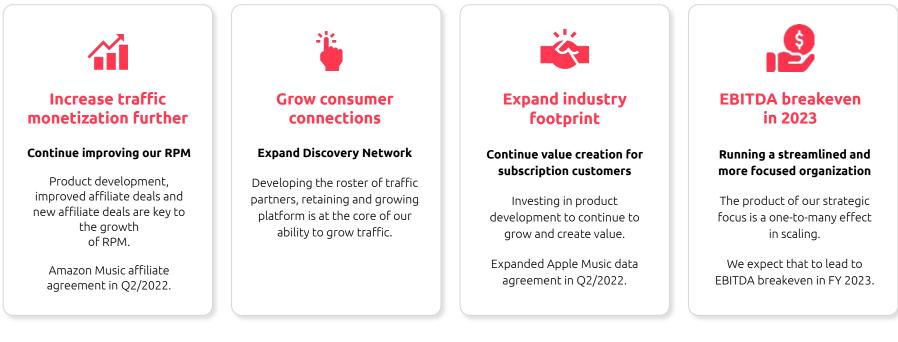
growth enabler.

It's expected that 100-150m users will switch services every year. We expect this development to increase CAC.\*\*

\* https://www.goldmansachs.com/insights/pages/infographics/music-in-the-air-2020/ \*\* Latest published churn figures from Spotify was Q4-2019, reporting an annualized churn rate of 4.8%. We expect this to rise but are using the reported figure for modeling.



### Continue monetization and consumer connections (traffic) growth



#### Opportunities

# Long-term growth opportunities intact, current focus on business initiatives generating shorter-term value

#### Vertical Expansion

Market for audio entertainment is growing continuously

Collaboration with partners on the product roll-out and exploring potential acquisition targets.

#### Adoption to the Metaverse

Adoption of metaverse is faster for the consumers that Linkfire already reaches

Entertainment is quickly transcending streaming services.

The metaverse hence represents a big opportunity for Linkfire.

#### M&A Agenda

#### Continue to explore

We see a strong M&A path both in terms of traffic foothold and vertical expansions.

M&A is not a prerequisite for meeting our targets.

#### Geographical Expansion

#### Africa, Japan & SE Asia

Expansion plan for Africa will be managed from Europe going forward.

Continued very positive development of revenue from APAC (incl. Japan) in Q2 after almost doubling it in Q1/22.

Japan is the second biggest music market globally.



## 02 Business highlights Q2 2022



### **Q2 Highlights**



Industry footprint

New and expanded agreements

New affiliate agreement with Amazon Music and expanded data agreement with Apple Music.

Q2 RPM remained constant, up 1% at DKK 5.70 and was temporarily affected by shift in traffic commission partnership.



#### Scalability

Lowered time-to-market and product improvements

Product improvements drive faster implementation, resulting in improved commercial efficiency. Faster sales cycles and improved product implementation cycles achieved in Q2.

Continued increased traffic, which grew 30% y/y in Q2/2022.



## Organizational development

Focus on talent density and commercial value

Actions in Q2/22 to secure a more streamlined and focused organization with clear commercial output.

Implementing performance management and job levels.



## smartURL integration

Consolidating the market

Increased traffic, customer base, industry footprint and monetization capabilities.

Integration completed in Q2/2022. Consumer connections slightly lower than expected, monetization higher than expected. Full impact to be concluded by end of year.

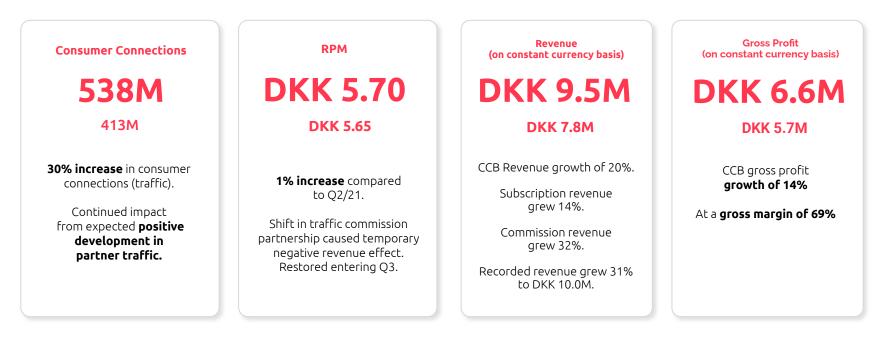


## **03** Financial performance Q2 and H1 2022



### Key performance metrics Q2 22

Comparative period Q2 21





### Key financial metrics Q2 22

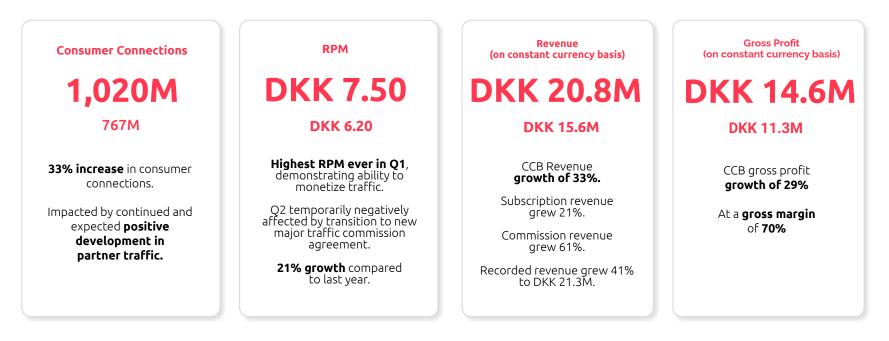
Comparative period Q2 21

евітда (DKK 15.8M)	Intangible Assets	Total Equity	Cash flow (DKK 17.2M)
(DKK 9.6M)	DKK 55.3M	DKK 102.4M	DKK 110.3M
Stable operating cost from Q1 mainly related to increased staff costs to support current growth initiatives. Underestimated market and performance signals in Q1. Streamlined organisation in Q2. All expected related <b>cost are</b> <b>included in Q2</b> .	Continued investments into product innovation. Acquisition of smartURL accounts for 20.7 mDKK.	Continued solid equity position.	30% improvement from Q1, positively impacted by working capital development. Continued investments in product development, expected peak in H1. Furthermore, expecting improved EBITDA performance from H1 considering lowered cost base.



### Key performance metrics H1 22

Comparative period H1 21





### Update on cash position and financing

#### **Cash position**

#### Reasons for cash position - adjust and adapt

- 1. Investing in growth
- 2. Underestimated market / performance signals in Q1
- 3. Focus on shorter-term value generating initiatives
- 4. Streamlined organization in Q2 as a response. Financial effect expected to reduce OPEX by 10-15 percent in H2 2022 (compared to H1 2022).

All expected costs related to the staff reductions have been recorded in Q2.

#### Financing

Currently financed through a combination of positive working capital effects, cash, and new credit facility.

Securing necessary financing to ensure operations towards profitability

Necessary financing in the range of DKK 40-50M.

Currently working on financing solutions to resume growth strategy towards profitability next year. Solution could e.g. be debt financing, issuance of new shares, or a combination.

## **04** Outlook and guidance



### Our outlook and financial guidance

Mid-term targets (3-5 yrs from IPO)



Financial guidance for 2022 (published in April 2022 and <u>updated in connection to Q2 report in August</u>)

Linkfire expects its revenue to be in the range of DKK 50-60 million, corresponding to a yearly growth of 48-78%, and its EBITDA to be in the range of negative <u>DKK 32-42 million (previously 22-32)</u>.

Having invested into growth initiatives with longer return profiles than the current market conditions allow, we have decided as a response to streamline the organization to focus on shorter-term value generating initiatives.

The result of this is the main reason for adjusting our EBITDA guidance. Reversely, the initiatives that remain are proven and have shown faster than expected return, providing confidence in our revenue guidance and allowing us to focus on fewer initiatives that will return upside faster. In order to achieve our guidance, performance on the following key drivers is required:

- Continued strong RPM performance
- Traffic growth and expansion of the discovery network
- Continued product innovation and development
- · Continued inflow of new subscription customers and ability to upsell to existing customers

In 2022, Linkfire expects continued investments into reaching its mid-term growth target in accordance with the announced growth strategy in the IPO prospectus. Possible deviations from the guided range depend on investments into new strategic opportunities supporting our announced growth strategy.



# **05** Q&A



# Thank you for joining us!

Our Q3/22 interim report is out on November 24, 2022. In the meantime, you can reach us via phone or through investors@linkfire.com.

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For more information about us, visit about.linkfire.com



# APPENDIX



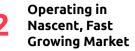
#### Appendix

### Linkfire as an investment

A recap of our investment case

#### Unique offering to Penetrate the Market

- The preferred marketing platform among labels and artists
- A strong and growing customer portfolio
- Flexible offering and pricing structure
- Two types of traffic accelerate growth in consumer connections
- Monetizing traffic represents an unique opportunity
- Partnerships are key to to cementing market position and growth



- A growing music industry
- Social media enables music discovery
- Digital Service Providers are growing, but their offering is almost identical
- Competitive landscape a nascent, fragmented market set for consolidation
- Future total addressable market amounts to USD +400bn

- 3 Multifaceted Growth Opportunities
- Growing the marketing platform and consumer traffic
- User inflow fuelling subscription revenue growth
- Traffics partners to catapult volume of consumer connections
- Stronger affiliate partnerships will rapidly grow traffic commissions



- Strong historical revenue development
- Strong underlying growth for SaaS offering with commission revenue about to accelerate growth



