

# BRAG Earnings Call Transcript

**Date: 2025-11-13**

**Quarter: 3**

Operator: Good morning, ladies and gentlemen, and thank you for standing by. My name is Kelvin, and I will be your conference operator today. At this time, I would like to welcome everyone to the Bragg Gaming Group Third Quarter 2025 Earnings Conference Call. [Operator Instructions] I would now like to turn the call over to Stephen Kilmer, Head of Investor Relations for Bragg Gaming Group. Please go ahead.

Stephen Kilmer: Thank you. Good morning, everyone, and thank you for joining us for Bragg Gaming Group's Third Quarter 2025 Earnings Call. My name is Stephen Kilmer, and I recently came on board to manage Bragg's IR function. I'm not quite in-house at Bragg, nor would I say that I work for an external agency. I think the best way for me to describe myself, is that I'm a Bragg fractional Head of IR. I've been running that function for technology companies since the mid-'90s. And before that, I worked for one of the top full-tech newswires as well as an investment adviser at what eventually became Merrill Lynch Canada. My contact information is at the bottom of today's press release, and I hope to get to know many of you as well as we move forward. With that said, some housekeeping for this call. If you're connected to our online webcast today, you should see our third quarter earnings presentation on your screen, and you should have control to flip the slides yourself as you listen to this call. If you have joined by telephone, please note that you can find our third quarter earnings presentation as well as financial results press release, financial statements and MD&A; on our website at [investors.bragg.group](http://investors.bragg.group). Please note that certain statements on this call may constitute forward-looking information or future-oriented financial information. A full explanation of risk factors is available on the second slide in our third quarter 2025 earnings presentation titled Forward-Looking Statements as well as in the recently filed press release and other public filings. Bragg disclaims any obligation, except as required by law, to update or revise any forward-looking statements, whether because of new information, future events or otherwise. And forward-looking statements made on this call speak only as of the date of this call. On this call, Bragg Reman Group's CEO, Matevz Mazij; and CFO, Robbie Bressler, will discuss the company's third quarter performance, followed by a question-and-answer session. I'd now like to turn the call over to Matevz.

Matevz Mazij: Thank you, Stephen. And good morning, everyone. Thank you for joining us for Bragg Gaming Group's Third Quarter 2025 Earnings Call. We're Bragg, dual listed on the NASDAQ and the Toronto Stock Exchange, and we are a specialist supplier of games and technology to the regulated iGaming market. We create and deliver cutting-edge online casino games, both from our own in-house studios and from top-tier in-demand partner studios. We empower online casino, sports betting and lottery operators to launch, run, scale and optimize their apps and websites. And through everything we do, we enhance the end-user experience by leveraging advanced analytics and AI to drive engagement and smarter, more efficient iGaming operations. During the third quarter, we continued to see high double-digit growth in our focus markets of the U.S.A., where we saw 86% year-over-year revenue growth; and in Brazil, which saw revenue growth of 80% compared to the same period last year. The U.S.A. was a key driver of the 35% year-over-year growth overall that we have seen in proprietary content revenue. And we continue to roll out strong titles from our proprietary game studios, which include Wild Streak Gaming and Atomic Slot Lab. Overall, revenue growth when factoring out the Netherlands, a jurisdiction which I'll discuss further later in this call, was 20% up compared to the third

quarter of last year, demonstrating the continued demand for Bragg's products and services in regulated iGaming markets around the world. During the quarter, we continued to showcase our games development expertise with the rollout of 2 new bespoke online casino games developed for our partner, Hard Rock, in the United States, among many other game launches. We secured a Tier 1 credit line with the Bank of Montreal, underscoring Bragg's creditworthiness. We continue to be focused on optimizing our cost structure, which allows us to deliver operational leverage. And as Robbie will now go into in more detail, we are pleased to be reporting revenue, gross profit and adjusted EBITDA in line with our expectations for the third quarter of the year. I'll be back to discuss some of these points in more detail after you have heard from our Chief Financial Officer, Robert Bressler, who will now discuss the third quarter financials. Robbie?

Robert Bressler: Thank you, Mat. In the third quarter of 2025, revenue was EUR 26.8 million, up 2% year-over-year. Excluding the Netherlands, revenue grew a strong 20%, underscoring continued execution of our diversification strategy and the strength of our high-growth markets. As expected, the Netherlands remains impacted by regulatory changes with revenue down 22% year-over-year. The region now represents a smaller share of our total revenue as our business outside the Netherlands accelerates. Much of the underlying growth was led by North America and Brazil, which together accounted for 22% of our total revenue for the quarter, up from 12% a year ago. Our other markets, primarily across Europe, delivered 4% growth, supported by steady performance from our content aggregation and turnkey solutions. From a strategic point of view, the quarter reflects clear progress towards our goal of building a higher-margin, more diversified business. We continue to shift our revenue mix towards proprietary content, which grew 35% year-over-year in Q3 and remains our best performing margin contributor. This transition is a key driver of our expanding profitability profile. Our gross margin continues to trend upwards, supported by the growing contribution from proprietary content. In Q3, gross profit increased 5% year-over-year to EUR 14.7 million, with gross margin improving 115 basis points to 54.7%, reflecting sequential improvements versus Q2. Adjusted EBITDA also grew 9% to EUR 4.4 million, with adjusted EBITDA margins rising 100 basis points to 16.6%, benefiting from actions to optimize processes and realize efficiencies, which kicked off in the prior quarter. We expect these operational leverage benefits to continue into Q4. Moving to the balance sheet. We remain focused on maintaining a strong and flexible balance sheet. As Mat noted, during the quarter, we successfully completed our new working capital revolving credit facility with Bank of Montreal. This facility enhances our liquidity position, supports continued investment in high-growth, margin-accretive initiatives and significantly lowers our borrowing costs. Finally, we are seeing the benefits of a more margin-accretive revenue mix, continued discipline in optimizing internal processes and structures and profitable growth from our expanding footprint in North America and Brazil. Our strategy is delivering. We are becoming a more efficient, diversified and higher-margin business, and we remain confident in our ability to deliver sustainable long-term growth and shareholder value. Going into 2026, we are very focused on continuing to optimize our product mix and optimize our internal processes and structures, and we believe that there are significant opportunities to refine and improve our margins and cash flow. With that, I'll pass the line back to Mat.

Matevz Mazij: Thank you, Robbie. We've been talking about the growing vertical of proprietary casino content at Bragg and how we have made a strategic focus because it's a high-margin product, which supports growing gross profit and EBITDA margins. Online casino content that we own also delivers compounding recurring and long-term revenues. We talked about our 35% year-over-year increase in proprietary content revenue. What is especially encouraging is that half of our proprietary content revenue in the third quarter of this year came from the United States, making the U.S. our strongest market for our fully owned casino game IP. And the U.S. market continues to grow. According to H2 Gambling Capital, the U.S. online casino market will grow from around USD 10 billion in 2025 to over USD 30 billion in 2030, a compound annual growth rate of 26% over the next 5 years. By the end of the third quarter of 2025, we have launched 35 new proprietary casino games, and that's just so far this year. We have been building our portfolio of games for several years now, and 70% of all proprietary content revenue in the third quarter of 2025 came from games that we released before 2025. So we're demonstrating longevity, our strong player retention in industry terms. And we are delivering long-term recurring revenues from our growing mountain of fully owned IP. As I mentioned earlier, third quarter

2025 revenues in Brazil are up 80% compared to the same period last year, which was pre-regulation, highlighting a successful regulated market entry this year for Bragg. We are on target to see 10% of revenues coming from this important jurisdiction in the full year of 2025. Now I want to touch on why we're talking about our performance in terms of the Netherlands and non-Netherlands revenue. The Netherlands continues to be an important market for Bragg, and we are proud to be a market-leading iGaming supplier in the jurisdiction, with approximately 30% of the entire regulated market gross gaming revenue running through our products and technology. This market share has been stable for us for several years now. However, with increasing and well-documented headwinds facing regulated operators in the Netherlands, including our customers, we're especially interested and proud of the growth we're seeing in regulated markets outside of the Netherlands, such as the United States and Brazil. Our 20% year-over-year growth in other markets, over 80% in some, shows what we can achieve when factoring out the unusual market conditions currently seen in the Netherlands. Our geographic diversification has consistently improved over the past 4 years, with non-Netherlands revenue rising from 51% of all revenues in 2022 to a projected 68% of all revenues in 2025. And as our industry continues to grow and evolve, we expect to continue this trend of diversified growth. Newly regulating jurisdictions such as Finland, which has announced the launch of its regulated iGaming market in January 2027, offer great potential ahead for companies like Bragg. As we have previously communicated, we expect one of our customers in the Netherlands, BetCity, to migrate off the Bragg PAM in H1 of next year. And also as previously communicated, we expect the impact on the bottom line post migration next year to be minimal due to the margin profile of that particular customer. Our PAM and full technology and content portfolio remains in strong demand in the Netherlands as well as in regulated jurisdictions around the world. And we look in particular to those markets outside of the Netherlands to continue to drive our revenue and margin growth in 2026 and beyond. Bragg is well placed to capture significant value in the world's most attractive regulated iGaming markets. We saw a record third quarter revenue in focused growth markets, 86% up year-over-year in the United States and 80% in Brazil. We continue to release more proprietary games, and this fully owned IP continues to deliver recurring higher-margin revenue for us. Proprietary content revenue increased 35% compared to the same period last year and now makes up 16% of all revenue when split by product mix. When factoring out the Netherlands contraction, which I discussed earlier, we are pleased to see 20% revenue growth year-over-year across our other markets. And as we continue to diversify our revenue streams, we're on track to book 68% of all revenue from non-Netherlands markets in 2025. As we keep our focus on improving product mix, processes and margins, delivering operational leverage and having delivered on-target third quarter overall revenue growth of 2% and adjusted EBITDA growth of 9%, I can confirm we are maintaining our full year 2025 guidance. We project full year 2025 revenue of between EUR 106 million and EUR 108.5 million and adjusted EBITDA of between EUR 16.5 million and EUR 18.5 million. Our combination of rapid growth in the United States and Brazil, the increasing contribution of our high-margin proprietary content and the resulting margin expansion positions us strongly for the future. Thank you. Robbie and I are now available to take any questions you may have.

Operator: [Operator Instructions] Your first question comes from the line of Jordan Bender of Citizens.

Jordan Bender: Nice flow-through in the quarter. Guidance for the fourth quarter also implies nice flow-through margin expansion. I do want to touch on some of the cost buckets here without kind of getting into guidance for next year. It sounds like proprietary content, we can see it here, is trending pretty nicely, growing strongly. How should we think about that progressing and the impact that it has on margins into next year? And then kind of the second cost bucket question here. Your SG&A; looks like it has picked up pretty substantially year-to-date. Anything to call out there?

Robert Bressler: Thanks for the question, Jordan. I'll start with the second question. In terms of our run rate compared to 2024, as you're seeing, we do think there is opportunity for structure and process optimization. We started that process in Q2, continued it through this quarter, and we're going to continue it into 2024. So we do think there's opportunities to, as Mat mentioned, realize operational leverage next year through optimizations of structures and processes. Second question in terms of proprietary content, we do believe that there is lots of opportunity for growth, especially in the U.S. We -- in terms of cadence of titles that are going out and investment, that should continue through 2026. We will be coming out with more comments on 2026 performance and guidance probably early in the

new year. But we do think proprietary content and actually, we're very confident that proprietary content is going to be a key accelerator in driving better margin performance and cash generation. And as a reminder, only 12% of the U.S. population is underregulated iCasino. And also, iCasino is growing substantially in the jurisdictions where it is legalized. And I noted just anecdotally, DraftKings mentioned that they were up 25% on their iCasino performance for Q3. So iCasino in the U.S. is really humming, and we're well positioned to capitalize on that.

Jordan Bender: Great. And I do just want to follow up on BetCity here for a second. Is that going to be a complete roll-off all at once? Or is it going to happen over time? And then the earnings impact being minimal, is that a gross impact? Or is that net of any mitigation that you might do throughout the year?

Robert Bressler: It definitely would be net of mitigation. Like the opportunity for us to either redeploy resources or optimize resources will be present with a customer like that rolling off. In terms of them actually migrating off, we're still working with [ Entain ] to solidify that plan. And as mentioned, this will be something that most likely will occur in the first half of the year. We're exploring opportunities and ways to make sure that, that process happens extremely smooth and is beneficial for both sides.

Operator: Your next question comes from the line of Gianluca Tucci of Haywood Securities.

Gianluca Tucci: First question, could you perhaps walk us through a couple of the growth drivers in the U.S. and Brazilian markets? And how are you thinking about these markets as we enter a new year?

Robert Bressler: Thanks for the question. So in terms of Brazil, we continually get more and more market share from an aggregation point of view. So we're quite happy with the level of coverage we've been able to achieve in Brazil. Our strategy has always been the aggregation is a lead into pushing our proprietary and exclusive content and benefiting from relationships we have such as the partnership with RapidPlay. So we see our opportunity into the future is to increase our concentration of revenue coming from more margin-accretive products in Brazil. So we're very -- we're quite happy with the growth we've seen, well into the 80% range year-over-year. Our focus will be now getting a better share of that revenue coming from more margin-accretive products. And again, I think we're well placed for that. We have good relationships with operators. We're feeding a good distribution network, and we have a good relationship or partnership with a studio that's based in that region and can deliver titles that should be quite well received into that market.

Gianluca Tucci: Okay. And perhaps one final question from us here. Congrats on the BMO facility and getting that over the finish line. On the balance sheet, are you comfortable how it stands today? And -- or are there more things coming from a balance sheet optimization, I guess, perspective, Robbie?

Robert Bressler: Yes. Thank you. And yes, we are happy to have gotten that facility over the line. It provides us with much less lower cost of borrowing and gives us good liquidity for our needs. I do think there's opportunity, as we mentioned, to optimize and become more efficient with our cost structure, which we're actively looking at and believe there's much more to come on that. So in terms of strengthening our liquidity, I think that's going to come from improved margins and better cash flow off of our operations.

Operator: Your next question comes from the line of Michael Shelton with [ FRC ].

Michael Shelton: I was wondering if you guys could tell me what's keeping Bragg from earning a regular and consistent operating income. And then secondly, what do you expect the stock price to be in 3 years? And what type of systems and strategies and structures are you going to put in place in order to achieve that number?

Robert Bressler: Thanks for the question. I'll start with the operating income portion. I assume you mean from an IFRS perspective, we do have a fairly significant development costs that gets amortized. There also is some purchase price amortization that's occurring from our acquisitions that we've done. Things like brand and other have a bit of a tail. So we do have a lot of amortization and depreciation that puts us in a loss position. I think we're getting better and better. And I think what we look at from our performance and how we gauge our performance is looking at our adjusted EBITDA less our CapEx. And that's very key for us to make sure that we are actually generating cash from our operations. So we're focused on that, and we are positive on that this quarter. We think that ratio can continue to improve. And we think at full efficiency, we could be 30% to 50% in terms of having that cash conversion ratio occur. In terms of future-looking stock price, I can't comment on that. We're focused on operating as strong as we can, providing the best results that we can, optimizing our

structure, producing solid cash flow and margin improvements. And we are confident that with the path that we're on, we're going to increase value for shareholders.

Operator: There are no further questions at this time. And with that, I will turn the call back over to Robbie Bressler, CFO, for closing remarks. Please go ahead.

Robert Bressler: Thank you, and thank you, everyone, for joining the call today. We look forward to updating you on our progress as it continues. Appreciate everyone's support, and have a great day.

Operator: Ladies and gentlemen, this concludes today's call. We thank you for participating. You may now disconnect your lines.