

Press release

18 February 2020

Catena Media foresees lower operating profit for Q4 2019 due to impairment of intangible assets, adoption of IFRS 9 accounting assumptions and an exceptional revenue adjustment in the US

Catena Media plc (Nasdaq Stockholm: CTM). In the fourth quarter 2019, total operating revenues for Catena Media plc are estimated to amount to EUR 27.1m (27.3). Revenues for the fourth quarter 2019 are impacted by an exceptional adjustment of EUR 0.5m related to previous periods. Reported revenue is therefore estimated at EUR 26.6m (27.3). Adjusted EBITDA is estimated at EUR 11.8m (12.0), while EBITDA is estimated at EUR 8.5m (12.0). The EBITDA is affected by: (1) implementation of a prudent assessment model for impairment losses according to IFRS 9, having an effect of EUR 2.7m, whereby the board has re-assessed the assumptions for expected default, with a subjective and conservative view; and (2) an exceptional revenue adjustment from the US amounting to EUR 0.5m. (3) Operating profit is expected to be further affected by a non-cash effect from impairment testing of intangible assets, resulting in a write-down of EUR 32.1m. Operating profit is estimated at EUR -27.3m (9.4).

(1) IFRS 9 – Recognition of impairment losses

In relation to IFRS 9 requirements and the recognition of impairment losses, the board has decided to take a conservative approach in relation to the assessment of bad debts, resulting in an exceptional adjustment when implementing a prudent assessment model in the fourth quarter 2019. The model is forward-looking, and assumptions and judgments regarding relevant data points affect future expected receivables, resulting in an effect of EUR 2.7m, having a negative impact on reported EBITDA.

(2) Exceptional revenue adjustment in the US

Adjusted revenue numbers from one operator in the US, in the state of Pennsylvania, yield an exceptional revenue adjustment related to previous periods, negatively affecting revenues by EUR 0.5m for the fourth quarter 2019, thus impacting EBITDA by the same amount. The adjustment was related to one single operator adjusting historical numbers of qualified online leads due to customers already existing in the online registered database from previous land-based gaming activities. With redirected traffic towards other operators as there are now being more operators live in the state, we expect the risk of this happening again as very limited. Excluding the adjustment, the operating business grew compared to the third quarter.

(3) IAS 36 - impairment of intangible assets

As part of the Company's ongoing strategic review, operational efficiency programs and evaluation of previously acquired assets, Catena Media is writing down EUR 32.1m for assets acquired in the period 2016–2018, as detailed in the following paragraphs. The impairment will have no impact on cash flow, but it will have negative impact on the operating profit for the fourth quarter 2019.

Financial Services: write-down of EUR 17.9m related to intangible assets. The Financial assets, primarily conducting business within the European Union, were acquired in the period 2017–2018. Since then, several events occurred that reduced trading opportunities within the region: (1) Binary options were banned; (2) ESMA implemented stringent regulations on CFD leverage; and (3) The volatility in the cryptocurrency market increased. The strategic review continues, as the previous implemented strategy and product development focus has not compensated for these changed market conditions. The write-down within this segment is one of the actions taken, in addition to cost reductions and operational efficiency measurements.

Casino: write-down of EUR 13.2m related to intangible assets. Following the strategic review, certain Casino assets acquired in 2016, primarily consisting of revenue-share accounts, have been reclassified as inactive products, where no further investments will be made. This results in a write-down of those assets.

Sports: write-down of EUR 0.9m related to intangible assets. Following the strategic review, certain Sports assets acquired in 2018, primarily consisting of revenue-share accounts, have been reclassified as inactive products, where no further investments will be made. This results in a write-down of those assets.

“The write-downs are related to earlier acquired assets that are not performing in line with the rest of our portfolio, as well as to past contractual decisions. Excluding the non-recurring items, our underlying business developed much like we expected for the fourth quarter.”

Per Hellberg, CEO

The financial figures presented above are preliminary and unaudited; final numbers will be published in the report for the fourth quarter 2019. The report for the fourth quarter and full year 2019 will be published as planned on 20 February 2020 at 7.00 a.m. (CET).

Beyond what is stated in this press release, the Company will not comment on the results before the quarterly report for the fourth quarter is published. In connection with the presentation at 9:00 a.m. (CET) on the day of publication, there will be an opportunity to ask questions.

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About Catena Media

Catena Media provides companies with high-quality online lead generation. Through strong organic growth and strategic acquisitions, Catena Media has since 2012 established a leading market position with approximately 390 employees in the US, Australia, Japan, Serbia, UK, Sweden, Italy and Malta (HQ). Total sales in 2018 reached EUR 105.0m. The Company is listed on Nasdaq Stockholm Mid Cap. Further information is available at www.catenamedia.com