



Rumble, Inc.

Fourth Quarter 2022 Earnings Conference Call

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CORPORATE PARTICIPANTS

Shannon Devine, *Investor Relations*

Chris Pavlovski, *Founder, Chairman, and CEO*

Brandon Alexandroff, *CFO*

CONFERENCE CALL PARTICIPANTS

Thomas Forte, *D.A. Davidson*

Jason Helfstein, *Oppenheimer*

PRESENTATION

Operator

Ladies and gentlemen, greetings and welcome to the Rumble Fourth Quarter and Full Year 2022 Earnings Conference Call.

It is now my pleasure to introduce your host, Shannon Devine, Investor Relations for Rumble. Please go ahead.

Shannon Devine

Thank you, Operator.

I'm here today with Chris Pavlovski, Founder, Chairman, and CEO of Rumble, Brandon Alexandroff, the CFO, and Tyler Hughes, the COO.

A press release detailing our fourth quarter and full year results was released today and is available on the Investor Relations section of our company website. Before we begin the formal presentation, I would like to remind everyone that statements made on the call and webcast may include predictions, estimates, or other information that might be considered forward-looking.

All forward-looking statements are made only as of the date of this webcast and should be considered in conjunction with the cautionary statements in our earnings release and the risk factors included in our filings with the SEC. Future company updates will be available via press releases and company updates via the Company's identified social media channels.

I will now turn the call over to Rumble's Founder, Chairman, and CEO, Chris Pavlovski.

Chris Pavlovski

Thank you, Shannon.

For the past six months, my team and I have been working on what we believe to be one of the most important moves for the future of video, live streaming, and OTT. While other networks and competitors are focused on the NFL, golf and tennis that target older demographics at Rumble, we've been laser focused on adding the under 30 demographic, the most sought after demographic by brand advertisers.



Today, I'm proud to announce that Rumble has reached agreements in principle for the rights to three sports leagues. These are not sports leagues built over 100 years with huge valuations, but sports leagues that are driven by social media and mega influencers. In addition to these three sports leagues, Rumble is now carrying an official channel of the UFC. These moves are very important to me because I want Rumble to become the future of live digital sports, and particularly sports leagues that are built from social media and mega influencers.

You might ask why I'm so excited, but let me say SteveWillDolt, Hasbulla and the NELK Boys were not sitting courtside at the NBA game on Saturday, March 11, and they certainly were not watching golf. They were all sitting in front and center at the Power Slap Finale in Las Vegas, which was broadcast only on Rumble. For those not familiar with these influencers, they all attract huge audiences and the younger demographics and therefore are highly coveted by advertisers.

We have also reached an agreement in principle to be the home of Street League Skateboarding known as the SLS and formerly broadcasted on ESPN. SLS brings us major influencers like Brazil's 15-year-old phenom, Rayssa Leal, who has over six million Instagram followers and was a silver medalist in the 2020 Olympic Games.

The third sports league that we're bringing to Rumble and where we have a deal in principle is Nitro Rallycross, an American Rallycross racing series created by visionary Rallycross driver Travis Pastrana, who has over 12 million social followers. His dedication and involvement have drawn F1 World Champions and NASCAR Cup Champions, such as Jenson Button with 5.2 million social followers and Chase Elliot with two million followers.

One of the most frequently asked questions about Rumble is when and how are we going to get the brands? What we just announced deals for the exclusive rights to three sports leagues, in addition to bringing on the UFC video channel is exactly how we're going to do it. Because people like Dana White appreciate Rumble's audience and potential, we are now also meaningfully in the sports business, one of the most coveted digital content spaces to be in.

More importantly, what allowed us to enter into this vertical so quickly is our commitment to our mission and authentic expression. Rumble is the only platform where you can be truly authentic. Sports is content in the most authentic form, which is why it belongs on Rumble. Rumble is a growth story and one of the reasons we went public was to raise capital to bring on new content creators to support diversifying our content and further expand our user base. We are in the fortunate position where our creators are coming to us and want to be a part of our platform.

Our 2022 de-SPAC provided us with the capital infusion needed to incentivize these creators to successfully make the transition to Rumble as we continue to build the tools for monetization. We continue to diversify our library with content that is authentic and directly aligned with our mission. For those unfamiliar with our story, our mission to protect the free and open internet is what drives us. Our strategy is grounded in this mission. Further, a great strategy requires a proper foundation. It's evident what we're doing here is working and it's exciting to see a quarter like our 2022 fourth quarter hit numerous company records.

Today, we measure our success currently on three quarterly key performance indicators, or KPIs. First, average global Monthly Active Users, or MAUs, increased to 80 million compared to 33 million in the fourth quarter of 2021. Second, our consumption, which we believe is the best indicator for long-term revenue potential, and the indicator I personally look at every day increased 31% in the fourth quarter to 11.1 billion average Minutes Watched Per Month versus 8.5 billion in the fourth quarter of 2021, a company record.

What we learned in the fourth quarter is that creators of Steven Crowder's caliber drive the consumption metric tremendously. Starting in mid-December, Steven Crowder took a break for about three months, but I can tell you he's back and he's bigger than ever. Third, hours of uploaded video per day increased to 10,373 hours, a 216% increase when compared to 3,278 hours in the fourth quarter of '21.



It's very clear in our fourth quarter results that what we are doing is working. The midterm elections and Steven Crowder proved that Rumble's content attracts massive audiences during election cycles. The massive growth we have experienced is now driving new creators in even sports leagues to join our platform.

To conclude, I want to tell everyone what myself and my team are really focused on. We believe we're in a position to take on YouTube. But in order to do that, our infrastructure and product have to come first. We're all working around the clock to build the product and services that our audience desires, and we believe we can accomplish an incredible amount by the year's end; 2023 is a foundational year—2024 will be Rumble's Super Bowl.

With that, I'll turn the call over to our CFO, Brandon Alexandroff.

Brandon Alexandroff

Thanks, Chris.

I'll take you through our financials at a very high level before turning the call over to the Operator for Q&A.

From a top line perspective, we reported quarterly revenues of \$20 million for Q4 2022. This compares to \$2.9 million a year ago. For the full year of 2022, we reported revenues of \$39.4 million, an increase of 316% when compared to \$9.5 million in 2021. This strong revenue outperformance in Q4 is the result of higher than anticipated election related user engagement. Because we're in the unique position of releasing earnings so close to the end of the quarter, we wanted to address Q1 revenue.

Q1 is performing as we expected, but will be somewhat lower than Q4 due to the fourth quarter outperformance. In order to be more consistent with our competitors, and because our business has evolved, we are now presenting all of our programming and content costs as well as third-party service provider costs, such as data center and networking as cost of services on the statement of comprehensive loss.

All programming and content costs include amounts paid to creators based on revenues generated, as well as additional costs related to incentivizing top creators to promote and join our platform. Previously, programming and content costs were split between cost of revenue and sales and marketing and third-party service provider costs were also presented in cost of revenues.

Cost of services for the quarter were \$23.5 million compared to \$2.9 million a year ago. The increase is due to an increase in programming and content costs of \$19.1 million and an increase in hosting expenses and other service provider costs of \$1.5 million. As we grow, we expect our cost of services to increase.

Moving to our cash position. We ended the year with \$338.3 million in cash, cash equivalents and marketable securities compared to \$356.7 million as of September 30, 2022. The rate of our cash burn continues to reflect our lean operating mentality, but also our commitment to invest in new content segments by securing key creators. We will undoubtedly have to expand our team to support our growth initiatives. But as these resources are added, this lean mentality rests in our culture and strategy and I'm very pleased with how we are managing cash.

That concludes my prepared remarks. Before I turn the call over to the operator, I invite you all to join Chris this evening at 7:00 PM Eastern Time in an exclusive post earnings interview with Matt Kohrs to be streamed live on the Matt Kohrs Rumble channel.

I will now turn the call over to the Operator to open up the line for questions from our covering analysts.

Operator



Thank you.

Our first question comes from the line of Thomas Forte with D.A. Davidson. Please go ahead.

Thomas Forte

Great, thanks. I think I'll ask one question and I'll get back in the queue.

You have a very strong balance sheet. There's a growing list of assets that are for sale. Can you give us your current thoughts and your M&A strategy, including your build versus buy philosophy?

Chris Pavlovski

Hey, Tom. Thanks for being on the call.

Yes, we're actively looking at—we're actively looking currently right now.

Thomas Forte

Okay, great. I'll get back in the queue.

Operator

Our next question comes from the line of Jason Helfstein with Oppenheimer. Please go ahead.

Jason Helfstein

Hey, guys. I'm actually going to ask three. I assume there'll be plenty of time for people to ask.

Obviously, we saw some pretty significant scaling of revenue quarter-to-quarter on just the tech work you guys did as well as on the product side with the kind of voiceovers. I mean, obviously, you're not giving us guidance besides the commentary about seasonality. But how should we think about just revenue kind of scaling in the near-term as you're thinking about what further kind of product you're working on for the rest of the year investment in sales, etc.? That's one. I want to go one at a time. Let's do that first.

Chris Pavlovski

Hey, Jason. Thanks for being on the call.

The main primary driver that we're looking to accelerate right now in 2023 is the Rumble Advertising Center. As we start automating everything that we're doing, that will be the best barometer of how we can scale the revenue. As we start bringing in live read sales into RAC, start bringing in more pre-roll, you have to remember that on Rumble currently, we're not even putting mid-rolls into any of the content. There's no mid-rolls or no pre-rolls even in the app or OTT. The barometer you're going to want to look at is when do we start introducing that into the platform and into all devices.

Jason Helfstein

Okay, that's helpful.

Then how are you thinking broadly about content costs relative to revenue? Obviously, I appreciate the way you're restating it. I think it's going to make it easier to understand. We didn't have to guess at breaking out like sales and marketing between incentives and non-incentives. But should we broadly think about this as like gross profit breakeven for the near-term that basically 100% of kind of the revenue



upside gets reinvested back into content to the extent you buying the content you want? Then I've got one more after that.

Brandon Alexandroff

Hey, Jason. It's Brandon.

As you said, cost of services now includes all of our programming costs as well as our network costs, right? It would include the regular payments that we make to all creators as well as certain creators that were incentivizing and that incentivization, I mean, a majority of the reason why we raised the capital was to go into that strategy. That will continue. Our cost of services will continue to increase as we bring on additional creators.

Chris Pavlovski

I just want to add one more thing to the first question that you asked about RAC. One of the things that excites me the most about everything is that we're barely monetizing this current audience right now. The growth that you're seeing is by not even including this in most of our devices in applications and you're seeing it just basically from what—from the web. That's one of the things that excites me a lot is that the potential here, once we start scaling out RAC and integrating RAC as a better product through our platform, that's where you're going to really see the real value of this audience because right now, I don't think people see the real value quite yet.

Jason Helfstein

Do you want to share perhaps like on a minute basis what percentage desktop or basically mobile web versus app or web versus app?

Chris Pavlovski

Yes, we're not going to disclose that right now.

Jason Helfstein

Okay. But is it fair to assume like app is significant? Like, I don't know, more than 10%?

Chris Pavlovski

We're not going to comment on that right now.

Jason Helfstein

Last question. What evidence can you talk about users who come to the platform for political content, but then engage in other content as far as your ability to leverage that and kind of make them repeat users?

Chris Pavlovski

Can you repeat the first part of that question? I missed the first part.

Jason Helfstein

Yes, right. The bulk of the—I think the bulk of or the majority as we think of the content on Rumble tends to be politically oriented based on our work and does attract a lot of users, but then those users see other content that's not political. Just talk about the success you have kind of capturing users who come for politically oriented content, but then ultimately stay or watch other non-political content?



Chris Pavlovski

Yes. I think we demonstrated something exactly like that in this previous quarter—well, the current quarter that we're in right now with Power Slap. What we saw there is like obviously our audience for the last couple years leans—has a lot of conservatives on the platform. Then once we introduced Power Slap, we saw huge numbers on sports content and we're currently seeing huge numbers on the UFC channel as well that we just introduced recently that you can see yourself.

Definitely we're seeing a lot of our audience definitely looks for different content and they desire a different content and we're starting to see that really take effect as we introduce more content. Here today, we're announcing these three sports leagues, which I think will have a pretty dramatic effect as well.

Jason Helfstein

Thanks. Appreciate the color.

Operator

Thank you.

We have a follow-up from Thomas Forte with D.A. Davidson. Please go ahead.

Thomas Forte

Great, thanks.

Two more for me. Chris, I was hoping that you could basically provide the three key drivers to growth for the engagement numbers. You had the 80 million global Monthly Active Users, which is a very impressive performance. If you were to distill it to the three key drivers, what would you say that they were?

Chris Pavlovski

Well, in Q4 particularly, we had the midterm elections and I think that's a really interesting thing to look at because the amount of growth that we saw because of the midterm elections was quite large and it really sets us up for the next few years here, especially in 2024 as we get to the presidential elections. You can only imagine what that will look like going forward for us.

Thomas Forte

Excellent. All right.

Then for my last question in the press release, you talk about making progress toward the beta launch of Rumble Cloud. How are things progressing and when should investors expect the launch and when might it start contributing to your sales?

Chris Pavlovski

Yes. We're currently on schedule with Rumble Cloud and we anticipate to launch the beta product this year in 2023. We anticipate—you can anticipate some updates in the future here, in the coming months on that.

Thomas Forte

Great. Thanks for taking my question.



Chris Pavlovski

Thank you, Tom.

Operator

Ladies and gentlemen, we have reached the end of the question-and-answer session. I would now like to turn the conference over to Chris Pavlovski, CEO, for closing comments.

Chris Pavlovski

Thank you to all of you who have joined us today. I look forward to updating you on the first quarter earnings call and hope you join me in just a little bit as I continue our earnings discussion with Matt Kohrs on his Rumble channel, 7:00 PM tonight. Thank you.

Operator

Thank you. The conference of Rumble has now concluded. Thank you for your participation. You may disconnect your lines.

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