



**Rumble Inc.**

**First Quarter 2023 Earnings Conference Call**

**May 15, 2023**



## 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 First Quarter 2023 Earnings Conference Call.

(Operator Instructions). Please note, this event is being recorded.

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 first quarter 2023 year results was released today and 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 updated 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.

Hello everyone. From our second acquisition to mega creator signings, you may have observed today's an incredibly eventful day at Rumble, which I'm excited to break down. I want to start off with what I think is one of the most historic moments in internet streaming history. What many would say was impossible to do six months ago is now a reality for Rumble. In the past few weeks building off the top creators like DJ



Akademiks and JiDion, Rumble pulled off the impossible. Rumble is not just a leader in political content, but will now also lead in culture, the number one YouTube gaming streamer in 2022, and the single largest U.S. gaming streamer, IShowSpeed is now coming to Rumble.

It doesn't stop there. We also announced that the number one subscribed Twitch streamer in February Kai Cenat will also be coming to Rumble. I'm not speaking about creators who are ranked number two or three on the world's largest platforms. I will reiterate, both are number one on their respective platforms. No one is bigger at what they do. Now they are launching a show on Rumble. If you're not familiar with IShowSpeed and Kai Cenat, don't worry, your kids are and so are advertisers.

The gravity and implication of this event is more than meets the eye. I've been personally in the trenches working to obtain new talent, and Rumble was not the only platform bidding on these creators. Our surgical moves in launching Rumble Sports, then UFC and followed by DJ Akademiks and JiDion joining Rumble solidified our deal with Speed and Kai. We think they both see the writing on the wall and realize Rumble is the future for all verticals of content, politics, sports, and now with their help, Rumble will move to establish itself as a leader in culture.

I've never been shy about our strategy. Rumble needs to have all verticals of content if we want to beat big tech. For the past few years, we've been heavily reliant on political content, which is dictated by news cycles and elections. In the past few months our team has done what many doubted we could do. We have clearly grown far beyond the perception of only having political content. These moves will make us less dependent on political news cycles and elections which can affect the stability of KPIs.

With respect to Q1 KPIs, our monthly active users or MAUs, which is derived using Google Analytics, for the quarter were 48 million, up 17% compared to 41 million in the first quarter of 2022. Historically, Rumble had seen dips in MAUs on a quarter-to-quarter basis, and in Q1 we saw a notable decline over Q4. This was primarily due to the incredible overperformance of Q4, particularly around the U.S. midterm election cycle.

For example, creators like Steven Crowder, who saw record traffic around Election Day produced limited content in the first two months of 2023. Additionally, our fourth quarter traffic was driven by a large number of users who were new to Rumble, many of whom did not return to the platform in Q1. This was not unexpected. In our history, we have experienced other significant quarterly increases in users, which result in only partial retention of users going forward. As previously mentioned, we are diversifying our content library by seizing the opportunity to invest in new content categories like gaming, live sports and culture.

Content from top names in the streaming community like Kai Cenat, IShowSpeed, Akademiks and JiDion will lead to more returning users who are loyal and less driven by single news events or election cycles. Average estimated minutes watched per month, which is based on bandwidth consumption, and our best estimates of video resolution quality and encoding parameters were 10.8 billion for Q1. This represented a 3% increase when compared to 10.5 billion in the first quarter of 2022, and a small decline from 11.1 billion minutes watched per month in the fourth quarter of 2022.

We believe our consumption is driven by new product designs and features. We also saw connected TV applications grow, as more users migrate to watch live streams and shows on big screens. These connected TV users consume enormous amounts of content. So far, we are seeing roughly 100 minutes of usage per connected TV user per day. Additionally, another major factor in driving consumption is that our average number of active live streams nearly doubled from Q4 to Q1. Streaming growth is something we are taking very seriously and our latest signings are an example of that. I believe live sports live streaming and live podcasts via connected TV will slowly become more desirable than live cable television, especially with younger generations.

This brings me to our second major acquisition. I'm very proud to announce that Rumble has acquired Callin. In the beginning of this year, our team was presented with the unique opportunity to acquire Callin, a podcasting and live streaming platform with best-in-class product features. As we evaluated the Callin



platform, and exceptional engineering talent building the platform, it quickly became evident that acquiring Callin would put us in a position to greatly accelerate our product roadmap and enable us to build a world class live streaming experience.

For those of you who may be unfamiliar, Callin was founded by David Sacks, one of the first employees at PayPal as their COO, and former colleague of Peter Thiel, one of our first outside Investors. David is an ardent supporter of Rumble's mission to protect a free and open Internet. In fact, David's venture capital firm Craft Ventures became a Shareholder of Rumble through Rumble's acquisition of Locals, in which Craft Ventures was an early Investor.

The Callin app focuses on providing outstanding live streaming and podcasting capabilities designed for creators to simplify production and editing as well as supporting live audience participation. Unique to Callin is the concept of "Rooms" which allows for the instant launching of audio and video content with an attractive and easy to use interface for both creators and audiences. As I have continually emphasized, estimated consumption is our most important KPI given that consumption reflects user engagement, which in turn drives monetization.

Callin brings features and functionality to Rumble which will enhance user engagement and further empower creators to generate more of their best content, thus driving monetization. While there is work ahead of us to integrate the Callin experience into Rumble, I can say confidently that we are now in a better position than ever to deliver on the vision to provide creators with a world class experience. It is important to note that this acquisition is another manifestation of our mission and commitment to authenticity, and to protect a free and open Internet. I am honored that as part of the acquisition David Sacks, a devoted supporter of free speech, and the creator economy will be joining our Board of Directors later this year in the second half of June.

To conclude, as evidenced by our first quarter and today's announcement, it's clear that we're becoming unstoppable as we continue executing against all components of our original growth strategy. After the acquisition of Callin, and being able to attract the world's top streamers like Kai Cenat and IShowSpeed, there is no doubt in my mind that Rumble is executing on all fronts, in ways unimaginable to many, and I remain confident that we will deliver on our plan.

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

### **Brandon Alexandroff**

Thanks, Chris.

I'll now take you through our Q1 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 \$17.6 million for Q1 2023. This compares to \$4 million for Q1 2022 and was primarily driven by an \$11.8 million increase in advertising revenue year-over-year. The increase in advertising revenue was driven by an increase in consumption, as well as the introduction of new advertising solutions for creators, publishers and advertisers, including host read advertising, and our online advertising management exchange, which we call Rumble Advertising Center or RAC, both of which we started to build and test in the second half of 2022.

Our approximately \$1.8 million increase in licensing and other revenue, compared with Q1 2022 was driven by tipping features within our platform, as well as certain cloud subscription platform hosting fees and provision of one-time content. As a reminder, cost of services includes all programming and content costs related to payments to content providers, including amounts paid to creators based on revenues generated, as well as additional costs related to incentivizing top creators to promote and join our platform.

Cost of services also includes third party service provider costs, such as data center and networking, staffing costs directly related to professional service fees, and costs paid to publishers. Cost of services



for the quarter were \$26 million compared to \$3.7 million a year ago. The increase was due to an increase in programming and content costs of \$21.1 million, hosting expenses of \$0.5 million and other service costs of \$0.7 million.

Moving to our cash position, we ended the quarter with \$326.3 million in cash, cash equivalents and marketable securities, compared to \$338.3 million as of December 31, 2022, representing a \$12 million use of cash in the first quarter. Cash, cash equivalents and marketable securities consists of cash on deposit with banks and amounts held in money market funds, treasury bills and term deposits.

As we have consistently stated, we intend to use a substantial portion of funds that we have raised to acquire content by providing economic incentives including minimum guaranteed earnings to a limited number of content creators, including sports leagues. This content acquisition strategy will allow us to enter key content verticals and secure top content creators in those verticals before we have full monetization capabilities in place.

Our present focus is to grow users and usage consumption and experiment with monetization levers, which may not maximize profitability in the immediate term, but which we believe will position our business for the long run. As a result, we expect that this strategy will require us to consume a significant portion of our capital raised.

The contracts we have signed to date obligate the Company to spend approximately \$164 million related to programming and content. Of that amount as of March 31, 2023, we had entered agreements with a minimum contractual cash commitment of \$62 million. Subsequent to the end of the quarter, we entered into additional agreements with a minimum contractual cash commitment of \$102 million. A significant amount of these minimum contractual cash commitments will be paid over 12 months to 48 months, commencing in 2023.

In addition to the minimum contractual cash commitments, we have programming and content agreements that have variable cost arrangements. These future costs are dependent upon many factors and are difficult to anticipate. However these costs could be substantial.

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 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**

(Operator Instructions). Our first question comes from Jason Helfstein with Oppenheimer. Please go ahead.

#### **Jason Helfstein**

Thanks. Hello, everybody. Three questions. The first, can you give us any commentary on MAU or engagement quarter-to-date in the second quarter, compared versus the first quarter? Second question, just talk about the impact of Steven Crowder's content broadly on the platform. It does sound like his hiatus in the first quarter was obviously pretty material for engagement, which is how you think about his broader impact on the platform with him coming back? Kind of when you think that when that happens.

Then we got some questions on the Callin deal. Is this cash, stock both? When will we get that kind of details on that acquisition? Thank you.

#### **Chris Pavlovski**



Thanks, Jason. This is Chris. On the first question with respect to Q2, we're not providing any guidance on MAU or consumption with respect to Q2. On the second question on Steven Crowder, Steven Crowder was on the platform, and as everyone probably already knows, in Q4, hit some major, major numbers on his midterm election streams that were very significant to our platform. He took a couple of months break and didn't come back till late March and Q1.

What we saw when we—when he came back, he came back in a different capacity to our platform. He came back—the entire subscription business for Steven Crowder is now on Rumble itself. We announced I think, shortly at that time that he accumulated over 57,000 paying annual paying subscribers in the first 10 days of his announcement of coming back and coming to Rumble. That was prior to his show even starting.

But I also mentioned on the previous earnings call that when he did come back, he was bigger and bigger than ever for us. His numbers have been very strong, as you can see when you go to his streams. He's moved a large segment of his viewership from YouTube over to Rumble in that period.

For the third part, I'll let Brandon respond.

**Brandon Alexandroff**

Yes. Hey, Jason. On the Callin deal, that just closed recently during the second quarter. More information will be disclosed as part of the Q2 10-Q.

**Jason Helfstein**

Thank you.

**Operator**

The next question is from Tom Forte with D.A. Davidson. Please go ahead.

**Thomas Forte**

Great. First up, Chris, I look forward to the call tonight at 7. I was in last quarter's call. All right, two questions. I'll go one at a time. When it comes to your user interface, where do things stand with your Android app, your iOS app, your OTT apps? What inning are we in for each one when it comes to usability versus your long term goals?

**Chris Pavlovski**

Thanks, Tom. This is Chris. I would say that we're still in the very early innings right now. When it comes to the apps, we've made tremendous progress on our iOS app and our Android app, then the OTT apps. We will be launching the Samsung app very shortly now. Then we're looking to launch also on Xbox and PlayStation in the coming months. We're pretty excited with the progress. The new interface is up on all the apps now across OTT and in mobile.

But I would still say it's still very early innings. The reason I say it, there's a lot of product features that we can still be adding. Right now, a lot of design changes have happened. But we still need to add a lot of product features into those OTT apps and in mobile app. Still very early innings. It's something that I plan to improve like through—for many, many years going forward as you can imagine things evolved quite a bit.

**Thomas Forte**



Great, thanks. Then for my second and final question, we don't have to talk about Tucker Carlson specifically, but can you discuss why your platform may be more effective than others for content creators to build an audience and monetize it, especially versus YouTube, Twitch and Twitter?

**Chris Pavlovski**

Absolutely. I would say one of the most compelling reasons to come to Rumble is authenticity. Rumble is the only place where you can be truly authentic when creating content. When being authentic, you just naturally create more compelling content. I believe we're a platform positioned to have the best content in the world, because we're not—people are not stifling their speech. People are not holding back. They're being truly authentic. They're being truly themselves and being very real.

When it comes on actual products, I also think we have a major advantage on the product side, especially on the subscription side after the acquisition of Locals. We've kind of demonstrated that with Steven Crowder. When he came to our platform, he brought his entire Mug Club subscription business to Rumble, which is sitting on the Locals platform. We had enormous success out of the gate. Like before he even started, as I mentioned to Jason, he acquired 57,000 plus annual paying subscribers and that was that only took 10 days. That's using the subscription platform that sits on Locals.

I think we have a real competitive advantage, both on authenticity and on the actual product, the Locals product for subscription. I think that as a creator you can monetize with that subscription product better than anywhere else you can.

**Thomas Forte**

Great, thanks for taking my questions.

**Chris Pavlovski**

Thank you.

**Operator**

The next question is a follow up from Jason Helfstein with Oppenheimer. Please go ahead.

**Jason Helfstein**

Hey, just a follow up on advertising on RAC, which was kind of bit better than we thought. How should we think about kind of milestone you reached with RAC in the first quarter and kind of how we should think about what's the next milestone with your ad server? Thanks.

**Chris Pavlovski**

Hey, Jason, this is Chris again. With respect to RAC, we're still in beta on that. But what I'm really excited about, and you'll hear a lot more about in the next week or two here is that we're going to be launching the alpha version of our live read marketplace, which I'm extremely excited to start testing. That product is fully built and ready. We should start rolling it out and testing with creators by the end of the month or by at least by early June. But that product is ready now. I'm very excited about that and the prospects of that.

**Operator**

This concludes our question-and-answer session and the conference is also now concluded. Thank you for attending today's presentation. You may now disconnect.