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CORPORATE PARTICIPANTS

Derrick L. Nueman *Opera Limited - VP of IR*
Frode Fleten Jacobsen *Opera Limited - CFO*
Lin Song *Opera Limited - COO*

CONFERENCE CALL PARTICIPANTS

Hillman Chan *Citigroup Inc, Research Division - Research Analyst*
Lee T. Krowl *B. Riley FBR, Inc., Research Division - Associate Analyst*
Mark Nicholas Argento *Lake Street Capital Markets, LLC, Research Division - Senior Research Analyst, Founding Partner & Head of Institutional Equities*
Thomas Steven Champion *Cowen Securities LLC, Research Division - Former VP*

PRESENTATION

Operator

Good day, everyone, and welcome to Opera's Third Quarter 2019 Earnings Call. (Operator Instructions)

I would now hand it over to Mr. Derrick Nueman, Opera's Head of Investor Relations, to open the call.

Derrick L. Nueman ***Opera Limited - VP of IR***

Thank you and welcome to Opera's Third Quarter 2019 Earnings Call.

With me today, I have our CFO, Frode Jacobsen; and our COO, Song Lin.

We are really excited to be hosting our call today from Lagos, Nigeria, which is the largest country in Africa. We have a strong presence here and significant growth opportunities, including browser, Opera News, advertising, classified and microlending as well as our investment in OPay, a company we incubated which had an impressive growth trajectory, already becoming Nigeria's leading mobile payment and motorbike ride-hailing service.

Before I hand over the call to Frode, I refer you to the safe harbor statement in the company's earnings release, which is also implies to the conference call today as management will make forward-looking statements. Our commentary today will also include non-IFRS financial measures. We believe that the use of these non-IFRS financial measures provide an additional tool for investors to use in evaluating operating results and trends. These measures should not be considered in isolation or a substitute for financial information prepared in accordance with IFRS. Reconciliations between IFRS and non-IFRS metrics for our reported results can be found in our press release that was issued earlier today, a copy of which can be found on our Investor Relations website.

With that, let me now turn over the call to Frode.

Frode Fleten Jacobsen ***Opera Limited - CFO***

Thanks, Derrick, and good morning, afternoon and evening, everyone.

We are very pleased with our strong third quarter results. Our growth is accelerating as we continue to execute on our strategy. We are leveraging our strong brand and large user base of more than 350 million monthly active users to grow new opportunities beyond the browser, including news and content, fintech, classifieds and a few initiatives that we haven't yet announced. These efforts, including the investments we made in our business, led to year-over-year revenue growth of 119% in Q3 compared to 55% last quarter and exceeding the top end of our guidance range. This has positioned us with a strong momentum going into Q4 and as we enter 2020.

Before going over the other highlights of the quarter, I want to give some color on our leading position as a global consumer Internet company. While Opera is not a well-known brand in certain markets, like the U.S., we have a massive user base in Africa, Europe and South Asia and a corresponding high-brand awareness in these regions. This enables us to launch and scale new offerings without the significant user acquisition and brand-building costs that many other companies would face, in turn, improving our chances of success.

Further, we have a strong track record of fast execution, allowing us to quickly determine if our initiatives are working or if we should focus our resources elsewhere.

Now let's review the highlights of our third quarter results beyond our revenue growth. Our user base continues to expand with PC users up 16% year-over-year and smartphone users up 18% year-over-year. Our new initiatives, including fintech and news, now represent the majority of overall revenue while, at the same time, our browser revenue continues to grow.

Adjusted EBITDA margins expanded meaningfully from the prior quarter while we aggressively invested in product development, new initiatives and marketing to drive future growth. Net income was $28.1 million, also benefiting from OPay's increased valuation in their latest funding round. Finally, these strong results and the accelerated momentum in our business are enabling us to once again raise our full year revenue guidance.

With that, I will turn the call over to Song to cover operational highlights, and then I'll come back and talk in more detail about the quarter and our updated guidance.

Lin Song *Opera Limited - COO*

Thanks, Frode. Hi, everyone. I'm very happy to be reporting earnings from Nigeria, our biggest market in Africa.

Nigeria has a large and growing population where the online addition is just starting and represents a huge opportunity for us. We are a market leader in multiple categories already, including browser, news and digital advertising, whereas classifieds and fintech initiatives in their early stages of ramping. More importantly, our results in Nigeria highlight our ability to utilize our strong brands, large user base and experience in local markets to launch and scale new products very quickly.

So now let's get into the details. I will start with Opera News. Our stand-alone Opera News apps continues to scale and has 41 million monthly active users, up 136% versus a year ago. We're also including news users from our browsers. Our total Opera News user base is 169 million. It's a major number. We remain focused by improving product quality to drive both user growth and increased engagement. This includes investing in more hyperlocal content, such as the capability we just announced, called Opera News Hub. Opera News Hub allows local creators to add content to our platform and then share in the monetization of that content in a very easy way. We're actually the first to launch such a model in Nigeria. And within a short time frame, we've already signed over 500 key opinion leaders. We think this is a good example of our capability to be localized. And with this effort, we'll continue to strengthen user engagement, in particular, in our key focus region of Africa.

I will also talk a bit our monetization efforts, which are also progressing. For instance, Opera Ads, our direct advertising platform, has grown revenue nicely. This is the second quarter. And more importantly, we have expanded the platform's capabilities. We have launched a new ad unit, including our [clinical core], an app that links directly to a protocol called USSD, which are really numeric codes that can be download from any mobile phone, allowing direct user engagement and which is very popular in regions like Africa. This is really reflecting how we're differentiating ourselves from some rather global ones and which is really appreciated by the biggest local advertisers.

Second, we have also launched an exciting new product called OLeads, and that's really enable us to help the tens of million small and medium enterprises in Nigeria, which would otherwise have no means to make a website. So OLeads really provides free basic websites with one click, and then which we will help them advertise and which they monetize by offering cost-per-lead advertising products. It's becoming very popular, and we think this is yet another opportunity to drive further monetization of our growing user base.

We have also highlighted last quarter that we have launched our classified offering, OList, in Nigeria. Even though it's only 3 months of its launch, we are very pleased with the early momentum as listings have more than doubled to over 1 million from 3 months ago. We plan to continue to grow listings and to drive consumer awareness using both our browser and the news apps.

We are really believing the potential in this area, both in terms of advertising, but also from taking part in the underlying transaction through fee-based models. For instance, Nigeria real estate market alone represents a $20 billion market annually, which, however, is both inefficient and fragmented, and we think we can play a key part there. Although we are still at the early stages, just 3 months after launch, but we are really very excited about expanding our role into such verticals.

Now I will also come back a bit to the browser. So within our browsers, similar to last quarter, we are driving steady user growth. PC MAUs in a very material market has increased to 68 million and smartphone browser MAUs have increased to 191 million. We are quite pleased with our progress there. And again, our browser efforts really continue to focus on providing a differentiated product. For instance, we have launched the off-line version for our Opera Mini browser, which allows user to exchange files, videos or other content without using large amount of data or even be hold back by a slow network, which has been very popular in just a few weeks after its launch.

On the other end, we have also launched Opera GX, our browser tailored to PC gamers, which is also performing ahead of expectations with very strong usage engagement. This browser is a very good example and highlights the opportunity for us to address specifically and also financially attractive segment of the market with very differentiated solutions.

Just to wrap up, we are working hard and believe we are executing well. We are in a very strong position with a number of exciting growth opportunities. We have successfully launched several new initiatives that have scaled quickly, and we believe we are really positioned to roll out new offerings fast given our significant reach, size, and perhaps most importantly, our agility. We are very focused in our key regions, and we are well positioned to capture all potential through the Opera browser and news as well as in key verticals such as fintech, classifieds and the related verticals and also in online advertising. Overall, we think this is just the beginning and that there is a tremendous opportunity ahead.

So with this, let me hand it back to Frode.

Frode Fleten Jacobsen *Opera Limited - CFO*

Thanks, Song.

Let me now talk about one more operational area, microlending, and then I'll get into details about third quarter and provide updated guidance before we open up the call for questions.

Overall, we ran the microlending business faster than we had anticipated, and it has now become a sizable part of our overall revenue mix. During the third quarter, we really pushed growth in India to establish our offering there at scale. Going forward, we continue to expect strong growth rate but at a more normalized trajectory versus what we've seen in the past quarters. We believe there is meaningful upside in India and Kenya while Nigeria is just getting off the ground. In addition, over the next 6 to 12 months, we see opportunities to launch new markets and also other non-lending fintech products as we continue to diversify this revenue stream.

Given our focus on gaining scale, our credit losses moved slightly higher relative to revenue from the prior quarter. Now as we continue to gain experience and the credit scoring technology continues to improve, we have seen a positive trend in credit losses relative to revenue in October, following a decrease in nonperforming loans.

Getting into some of the metrics, we underwrote approximately $5 million loans this quarter, almost tripling from the second quarter. Our average loan size went up to just about $50, adding up to more than $250 million in total loan value.

Then moving on to the financial details of the quarter. As mentioned, Opera delivered record third quarter revenue of $93.7 million, up 119% versus the year ago quarter. Again, this compares to a 55% year-over-year revenue growth rate in Q2.

Search revenue represented 23% of total revenue or $21.5 million. This was up 13% year-over-year, ahead of our expectations and a really strong result for this revenue stream.

Advertising revenue represented 20% of total revenue or $18.3 million, up 17% year-over-year. The growth was driven by direct ad sales, such as Opera Ads, and our increased user base, and we continue to see meaningful potential here, including Opera News and our classifieds offer.

Fintech revenue represented 43% of total revenue or $39.9 million. This increased meaningfully from the second quarter primarily driven by our recent launch in India. As mentioned, going forward, we continue to expect strong growth rates but at more normalized levels than what we have reported to date.

Retail revenue represented 6% of the total or $6 million, down slightly versus last quarter but overall, quite stable.

The technology licensing and other revenue category represented 8% of the total or $7.9 million largely driven by temporary support to our investee, OPay. As OPay has now established teams in-house, we expect this revenue category to decline towards substantially lower levels going forward.

Total operating expenses were $87 million in the third quarter, and I'll go through the main components. Compensation expense was $19.5 million, up versus the prior quarter. This included roughly $4 million in nonrecurring compensation costs relating to the OPay revenue we just referenced and some opportunistic staff increases relating to our growth initiatives.

Marketing and distribution expenses was $20 million, slightly down compared to the second quarter.

Cost of revenue was $15 million. Within the total, $6 million related to retail revenue and $8.8 million related to microlending. Cost of revenue for microlending includes transaction and communication platform expenses as well as third-party credit scoring, data and risk control costs, in total, amounting to 22% of microlending revenue in the third quarter.

Credit loss expense was $19.6 million mainly related to microlending, where it represented 50% of revenue. As discussed, this was slightly up as percentage of fintech revenue as we massively scale this business during the third quarter, but is trending lower versus revenue thus far in the fourth quarter.

The sum of all other operating expenses, including depreciation and amortization was $12.8 million, representing a slight increase versus the second quarter. As a result, we saw an operating profit of $6.7 million.

Our net income was $28.1 million. This included a noncash gain from OPay, which recently raised capital at an increased valuation. Adjusted EBITDA was $12.6 million, representing a 13% margin. Margins increased meaningfully from last quarter as we're beginning to see benefits from our revenue scaling despite continued aggressive investments in our long-term growth.

Finally, on the balance sheet, we ended the quarter with $216 million in cash and marketable securities, up $69 million from $147 million at the end of the second quarter. Two items worth highlighting there. First, we received $71.8 million in net proceeds from our capital raise in late September. This excludes the additional $10.8 million from the underwriters' exercise of the overallotment option, which we received in October. Second, our increase in loans to customers driven by the successful growth of our microlending business resulted in a loan book of $56 million at the end of Q3, an increase of $33 million versus the second quarter. We have funded the increased loan book by a combination of local bank debt and our own cash. We expect that the strong and profitable growth in our microlending business will continue to utilize cash in the short term so the business will be increasingly self-funded.

With that, let me turn to our Q4 guidance and increased full year 2019 outlook. Starting with the fourth quarter, we expect revenue in the range of $95 million to $105 million, representing a year-over-year growth rate between 89% to 109%. Our strong revenue guidance reflects continued fintech growth as well as continued positive momentum around our advertising efforts while tech licensing revenue is expected to meaningfully fall in the fourth quarter.

Consequently, for the full year 2019, we are raising our revenue expectations again. Our increased range is now $300 million to $310 million, representing year-over-year growth of 74% to 80%. This compares to our prior range of $270 million to $290 million. We expect fourth quarter adjusted EBITDA to be in the range of $15 million to $19 million, which represents a continued margin increase versus the third quarter. This means that we are increasing the lower end of our full year 2019 adjusted EBITDA guidance by $6 million, resulting in a revised range of $41 million to $45 million for the year. This is inclusive of our products and marketing investments in long-term growth.

To summarize, we are very pleased with our strong results, our consistent execution and our increased full year guidance. We have demonstrated an ability to launch and scale new products and revenue streams rapidly, and our results to date demonstrate that our strategic investments are driving growth and positioning us well to capitalize on our large market opportunity. Our business will exit 2019 with an annualized revenue run rate of approximately $400 million. This is staggering compared to the 2018 exit rate of $200 million.

While it's premature to provide 2020 guidance, we think we are well positioned to maintain strong revenue growth rate and drive margin expansion. We look forward to providing more details next quarter on how 2020 will benefit from the growth of our existing products, expansion to additional markets and new product launches.

With that, I will turn it back to the operator for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Lee Krowl with B. Riley FBR.

Lee T. Krowl ***B. Riley FBR, Inc., Research Division - Associate Analyst***

I just want to dive in on OKash first, specifically, the credit loss expense. Now that you have 2 geographies, could you maybe, even just at a high level, breakdown -- does -- from a credit loss expense perspective, is -- can you -- are you kind of operating below your quarterly target in India higher? Trying to get a sense of kind of as these markets grow, the optimization that you guys are able to employ to control kind of the risks around new loans.

Frode Fleten Jacobsen ***Opera Limited - CFO***

Lee, this is Frode here. Thanks for the question. I would say, overall, in terms of credit losses, what we did this quarter was to really focus on scaling that business and having it become a really meaningful segment in our mix. As we scaled up -- and India being a new relatively new country to us, we just started that in Q2, that was the biggest part of our growth in Q3. And I think entering a new country having sort of the higher mix of first-time lenders versus second-time lender, et cetera, will impact that in the short term. And we have seen that. That's something that we did with sort of eyes wide open during the quarter.

What we see now is that as we have scaled and as we have also gotten more data, our systems, our credit scoring, et cetera, we're seeing in the months or in the period that's followed the third quarter that our credit losses relative to revenue has dropped substantially, down towards and maybe even below the level that we saw in Q2 at a significantly bigger scale.

Lee T. Krowl ***B. Riley FBR, Inc., Research Division - Associate Analyst***

Got it. And then just on the new product initiatives, OList and OLeads. Two parts to the question. First, are you targeting other geographies currently for those products? And then second, just based on how you guys kind of put some marketing resources against the scaling of O News, do you guys anticipate kind of a similar cadence as you try to build scale in these newer products?

Lin Song ***Opera Limited - COO***

Yes. So this is Song Lin now. I think I'll try to answer that. So yes, we have 2 different products. One is OLeads. The name is part similar, so we have to make a distinction. But anyway, so OLeads, itself, is part of Opera Ads initiative. It's really about how to enable the local SMEs to be able to utilize all these newer apps format and easily building web properties, websites, so that they can later advertise their products. So I would say, OLeads is a bit more -- I think OLeads, itself, is a bit more emerging-market-focused but with a broader range because essentially, everyone have access to Opera News, have access to Opera Ads format and can easily basically utilize it. So I think that's a bit more wider audience. Yes.

So on the other end, I would say OList, itself, is a classified offering, which we have launched in Nigeria, about 3 months ago. So I would say that is a bit more a strategic focus that we, of course, have to go deeper in a given country just because of the nature of it is that it's all about connecting all those vendors, even -- sometimes (inaudible) go as deep as to really say they can't (inaudible). So by the nature itself, it is quite specific per region. So I would say, for OList, our strategy will be to -- it's almost to be like concentrating on to a country, which is, for now, this is Nigeria, build up a big user base, making sure we are #1, and then we will copy the same model to other African countries. So high mobilizing that will be our strategy.

You also asked briefly about the marketing. So I would say that for now, yes, naturally, OLeads, thee has been further loss by having Opera build some traffic, and that's also why we're actually growing so fast in such a short time frame and growing awareness. Yes. I think that moving on, we will probably be more -- we like seeing how it's being well received at this point. I do think that we expect to spend more marketing efforts just to make sure these are faster growing to where we wanted to be.

Derrick L. Nueman ***Opera Limited - VP of IR***

And Lee, as we look to 2020, this is Derrick, I would say what's successful for us is continuing to have the usage metrics to [grow us above] in Nigeria. In either the next call or the one after, we'd love to tell you that we've made a lot of progress on one of the verticals that Song just named.

Operator

Our next question comes from Mark Argento with Lake Street Capital.

Mark Nicholas Argento ***Lake Street Capital Markets, LLC, Research Division - Senior Research Analyst, Founding Partner & Head of Institutional Equities***

Just wanted to drill down a little bit on the kind of CPM trends. I know you're still quickly building the audience. Opera News is up nicely, your users is up nicely. But just talk about how you're selling that kind of the ad inventory or the app space that you're generating. What kind of CPMs? Or how do you think about kind of ramping the monetization effort there?

Lin Song ***Opera Limited - COO***

Yes. Sure. So this is Song Lin. I think I'll try to give more high level on this. So I mean there's a few basic facts, right? So number one, I think what you see is CPM ramping up in some of our key countries, in particular, Africa. It's a reflection of the effort that we spend, and it's also a reflection of the growing demand. So I think in general, we are happy about that. That being said, maybe I'll just put it there that long term, like high level, maybe we'll just say that in general, Opera Ads is a long-term initiative. We don't want to rush it. To some extent, I think you can almost see that there are 2 ways to utilize traffic. One way is to make a transaction-based business, like we can use the traffic to grow, say, OKash, our fintech, and many other offerings. And the other way is to utilize the traffic and sell it to other parties.

So I would -- I think what we are seeing is that in some of the key regions where we highlight Africa, we find that it's actually -- in the short term, it's actually more profitable for us. We actually go and build directly the transaction itself. For instance, how we are able to grow our fintech that fast is because we feel instead of giving the traffic to somebody else, there are actually more that could do that very fast to be able to utilize those traffic. So that's why we actually go straight into the transaction itself. We don't have our own effect even though that's based on building up that -- the base on user, our strategy must raise.

Well, from other hand, we believe that given time, when we are able to open that market and more -- like we see that the -- many other guys will follow, and that will, in turn, brings the total value of the Opera Ads, probably also up. So I think in general, we feel there are 2 different stages. We are quite happy with that, that there's growth in the key markets, but then we also have a big long-term view over there.

Mark Nicholas Argento ***Lake Street Capital Markets, LLC, Research Division - Senior Research Analyst, Founding Partner & Head of Institutional Equities***

And have you been building out the sales force that's focused on selling the ad space? Or you guys have been doing mostly more programmatic sales at this point?

Lin Song ***Opera Limited - COO***

So I would say it's a very good question, actually. So I think I would say both. And in some of the more -- I would say, more developed regions where we are actually focusing more on programmatic because that's the easiest way for us to scale up, and we see there's some good -- very good effect. While on some other place, in particular, Africa, I would just say that our approach is both online and off-line. We can build our programmatic. But what we saw is that, in general, the digitization in those countries in advertisement is still not big enough that it actually make much sense for us to actually be the ones starting to digitalize it. So that's why, for instance, we are building up a major sales force, for instance, in Nigeria, very cost-effective, and maybe on trend. So even smaller costs over -- on our loss. And basically, we are using this off-line direct sales force to actually -- it's almost dependent already to more like a big field digital advertising part of it. So yes, I think that's reflective of what we have also announced on some of the initiatives towards SMEs, like OLeads and of the others. Yes. So I think that in the long term will also be our major strengths in those regions.

Mark Nicholas Argento ***Lake Street Capital Markets, LLC, Research Division - Senior Research Analyst, Founding Partner & Head of Institutional Equities***

Good. And then just one quick microlending question. In terms of -- just remind us when you went live in Nigeria. And then are you guys -- are you going to be as aggressive in terms of the -- in trying to get some scale in Nigeria like you were in India? And what -- maybe kind of what new credit? I know you talked about you've increased or enhanced credit scoring, but maybe just talk about your thoughts on losses relative to how quickly you grow in Nigeria.

Derrick L. Nueman ***Opera Limited - VP of IR***

Sure. So Nigeria went live during Q3. It's really quite insignificant still compared to the totality of microlending. We do expect, as mentioned on the prior call, that it will have a slower ramp than the other 2 countries that we went live in, following sort of the adoption of mobile wallet and the necessary infrastructure. The business is running, but it's still relatively small.

Frode Fleten Jacobsen ***Opera Limited - CFO***

And Mark, I would expect that we'll ramp a little more in 2020. And then I think we'll consider launching some additional markets as well. So -- and then add some extra fintech services, which we're working through as we speak.

Operator

Our next question comes from Hillman Chan with Citigroup.

Hillman Chan ***Citigroup Inc, Research Division - Research Analyst***

Congrats on a good quarter of results. My first question is regarding OList. Understanding it's a bit early of (inaudible) but still, could you share more color as to the key verticals that you plan to invest more in? And what should we think about the monetization model in the medium term for the OList, please?

Lin Song ***Opera Limited - COO***

Yes. Sure. So this is Song Lin. I think I will also try to cover a bit on that. So I mean, as mentioned a bit earlier, right, we think OList is a very interesting perspective that we're actually engaging upon. So like, as we also a bit greatly mentioned also in the previous scripts, when you think like -- when we look at such kind of business, we're focusing on all the verticals which contributes mostly in a given country, but given GDP, right? For instance, in Nigeria, apparently, it's very natural that we look at it. Apart from some energy, more traditional source. It really plays actually and very naturally well the important parts of that economy. I believe it ranks almost like the rest of the [6], the contribution of the total GDP with a total GMV, or market value, of almost -- more than $20 billion. So it's a huge potentials. So for us, for instance, just use it as an example, that it's very natural for us to -- things that we want to be -- it's definitely to ensure them. Obviously, for us, we want to be -- take a major part in that -- part of the ecosystem.

And just to further comment is that -- what we also find out is that even though it's a huge potential, it's still very fragmented and it's still, to some extent, a bit inefficient compared to many other regions that we are. So that's what -- we're also saying that instead of doing it a bit more high level like some simple ads initiative, I think it makes sense for a company like us to go even deeper to -- deeper in the value chain to try to make like it -- to go deep in the transaction level to be able to maybe smoothen the O Ads transaction flow to easily reduce our pain points, not just selling some simple app. So I think that's also why we commented a bit in our previous telecall that

I think our goal is -- for this particular vertical, our goal is perhaps not only just to be -- grow our ads initiative, but also strengthen like the overall flow of that in real estate, just to make sure that as much -- as many Nigerians will be able to use -- like looking or buying house or rent house on OList instead of other places.

So like, again, we are quite ambitious. We also think that this is very economically sound because that's a much bigger pie than what you get in ads business. But again, so it's still very early. And we hope to be able to report our progress on that in the next few months.

Hillman Chan ***Citigroup Inc, Research Division - Research Analyst***

Got it. Another question is on OKash. I just want to learn more about the competitive landscape of OKash in the key markets for us. Could you share more maybe on the market share and also the differentiation of how marketing strategy, micro-loan products versus competitors, and that would be helpful.

Frode Fleten Jacobsen ***Opera Limited - CFO***

Yes. Sure. This is Frode. I can begin answering that question. So I would say, overall, of course, these are competitive markets, competitive products. I think the reason that we are doing as well as we are really goes back to some of the strengths that we are taking with us into the microlending business. And that includes our sort of brand and scale user base, our ability to really grow quickly. We do very well on data, the AI, that's really feeding it with the approval process being very key in terms of accepting the right lenders where we are pretty strict. And third, our ability to operate locally in these markets. We're calling in from Nigeria today. It's great to be here. Just the excitement and the size of the teams we have and the ambition that they share, I'll just have to say having people in the market making it very close to the end user. They're called contact (inaudible) where we are the lenders and new day turning out, et cetera.

Those I think are key advantages that set us apart from some of the other foreign companies that are operating similar businesses and why when you look at our -- when you look at the financial information included in the segment information, what you see is essentially that when you take our revenue and you deduct our credit loss provision and our cost of revenue, the gross profit contributed by this business for us relative to our loan book is still resulting in a return on capital of about -- even above 100% annually. And I think that the assets that we have is enabling us to be as profitable as we are in these competitive markets.

Hillman Chan ***Citigroup Inc, Research Division - Research Analyst***

Okay. Got it. And maybe one last quick question. I think just now you mentioned potential new markets for OKash in the coming 6 to 12 months. Is it possible to share some more color on the new markets that we want to enter? And how should we think about the time line related to this?

Frode Fleten Jacobsen ***Opera Limited - CFO***

Sure. I don't think we'll announce anything now on this call. But as a general rule, we continue to look at additional markets that we can launch in. When we look at our fintech offering as a whole and how we believe that will develop over time, I think we will continue to diversify that segment, both in terms of geographies, as we mentioned, and also some additional that are not lending products that Song also alluded to just before. So we will sort of come out and announce it when we have gone live in a specific new market. But not right now.

Derrick L. Nueman ***Opera Limited - VP of IR***

And I mean, to add. I mean the one thing on some of these additional fintech products is, obviously, they would again leverage our user base and leverage our strong brands similar to the other products we've launched.

Operator

(Operator Instructions) Our next question comes from Tom Champion with Cowen.

Thomas Steven Champion ***Cowen Securities LLC, Research Division - Former VP***

I'm curious if you could just comment on the geographic breakdown of the microlending revenue. Any thoughts there would be helpful.

And curious about the profile of the loan type that you're offering by geography. Does it look basically about the same? It seems like the average loan balance is about $50. Maybe these are short-term loans of about 30 to 45 days. Do they look the same by geography?

And I guess last comment or question would be looks like about a 20% contribution margin. Is that a good level to think about going forward?

Frode Fleten Jacobsen ***Opera Limited - CFO***

Yes. Tom, I'll answer that. So in terms of geographic breakdown of our microlending activity, India is the biggest. India has overtaken Kenya as the biggest market now in the third quarter.

Size of loans, I would say, the growth from an average of about $40 to an average of $50 was more really driven by the geographic mix than the, let's say, per loan sizes within each country. So our loans in India tends to be a bit bigger, in the $50; whereas in Kenya, it's in the $30. So while duration of loans, it's about the same with an average of about 2 weeks, as you mentioned.

When it comes to margin, so we have -- if we do revenue less credit losses and cost of revenue, credit losses and cost of revenue totaled about 72%, 73% now in the most recent quarter, in Q3, 72%. As mentioned before, we believe credit losses will be meaningfully lower in Q4, seeing that drop by 4 maybe more points, 4 or 5 points, maybe. And cost of revenue of about 22%, that's going up a bit with the growth of India. It's a little bit different mix there. But the net of the 2, probably in about -- leading about 30% less, around that level, for profit contribution.

Thomas Steven Champion ***Cowen Securities LLC, Research Division - Former VP***

Got it. Really helpful. Maybe just last question. Can you talk about the dynamic with technology licensing revenue? In the fourth quarter, there's some mention of it in the guidance discussion.

Frode Fleten Jacobsen ***Opera Limited - CFO***

Sure. So included in that revenue category is support that we do when we rent out staff support partners. And that's also something that we're doing with our investees at the time. And so Q4 had a bit of an extraordinary bump -- sorry, Q3, following support to OPay, which is something that is not a really recurring revenue stream. We believe that as we look ahead, as we have said now for more than a year, that the revenue category of tech licensing is declining. It's not something we focus on. It's not scalable or strategic in the same way that the other revenue streams are. And we expect to sort of see that normalize pretty quickly and reduce in both Q4 and then onwards to Q1.

Operator

I'm showing no further questions in the queue at this time. I would now like to turn the call back over to Mr. Frode Jacobsen for any closing remarks.

Frode Fleten Jacobsen ***Opera Limited - CFO***

All right. No. I -- from the 3 of us here in Lagos, we'd like to say thank you, everyone, for joining this call, and we wish you a good rest of today.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for your participation. You may now disconnect.
