

April 28, 2021

Kambi Group

Q1 2021



Prepared Remarks



Good morning, and welcome to Kambi's First Quarter Results Presentation. I am Christian Ireland, Chief Executive, and joining me is our CFO, David Kjerke. Please turn to Slide 2. I'll begin with a brief overview of what was another impressive quarter across the board. David will then take you through our financial performance.



I will then speak about the quarter in a little bit more depth and look ahead to a busy sporting calendar this summer. But first, on Slide 3, let me give you a brief introduction to Kambi. KLM is the industry's trusted and independent sports betting supplier. Our multichannel service is managed through an in house developed platform, which has been continuously developed over the last decade. The platform, together with more than 900 highly skilled staff, forms the foundation of our service.



The Cambys sportsbook consists of multiple elements from front end user interface and open APIs through to arms compiling, customer intelligence and risk management, enabling our customers to offer their players a tailored and a leading sportsbook experience from day 1. On to Slide 4. Canby's business is built upon a revenue share model with our growth linked to our partners' success. The foundation of our strategy is based on scalability. At no additional cost to our partners, Kabi continuously invests in product, people and technology to maintain market leadership.



We operate an experienced in house trading and risk management team to optimize operator trading margin. And our business is underpinned by our corporate probability and integrity, and we have successfully obtained all the licenses we have applied for. All this combined enable us to offer our partners the flexibility and scalability required to succeed in today's highly regulated and global market. Our technology has been structured in a way that enables Cambi and its partners to quickly and efficiently comply with regulatory requirements, removing a major barrier to market and allowing them to enter new markets as and when they require. Kambi is a trusted partner of more than 30 operators across 6 continents, including some of the most recognizable and successful brands in the industry.



Together, they create a powerful network of operators, which combine to generate powerful data insights that we use to inform and continuously iterate our product and services. Let's look at the highlights on Slide 5. Q1 was another record quarter for Cambria. Operator turnover reached an all time high, exceeding the 1,000 mark on the index for the first time. Thanks predominantly to an increase in basketball and in particular, college basketball and the March Madness tournament as well as various launches in new states.



Revenue was up 55%, while operating margin was again a very healthy 43%, underlining the scalability within our business model. Our U. S. And global Expansion continued. We've launched in status, including Michigan and Virginia online and Arkansas in retail, in the process registering the 14th U.



S. State in which we are live. We also made our debut in Argentina with Casino Magic. And as previously communicated, We signed 2 new partners during the quarter. We were raising and wagering Western Australia, joining Casino Magic by partnering with Kemi in January.



For now, I'll hand over to David, who will take you through the financial highlights. Turning to Slide 6.



Thank you, Christian. Good morning, everyone. In Q1, we had revenue of €43,200,000 up 55% from last year. Operating costs for the quarter were \$24,500,000 giving an operating profit of \$18,700,000 at a margin of 43%. The net cash position at the end of March was €70,700,000 Let's look at the income in more detail.



Turning to Slide 7. This slide sets out the Canby turnover index with the graph showing the aggregated results of Canby's operators. The turnover is the total stakes placed with the operators by their end users. In Q1, operator turnover was up by 109% on Q1 last year. At this point, I should note that for all comparatives to last year that I mentioned today, the final 2 weeks of Q1 2020 So the early impacts of the pandemic on the sporting calendar, which obviously limited the levels of activity at the tail end of that quarter.



The steep growth we've seen in operator turnover reflects the growth of the markets in various U. S. States, such as Pennsylvania, New Jersey and Indiana. The opening up of new states in the last year, such as Illinois, Colorado, Michigan and Virginia, And the Busy Sporting Calendar. This included most of the March Madness College Basketball Tournament, all the main European Soccer Leagues And the conclusion of the NFL season.



The margin represents the combined trading margin made by the operators. In Q1, this margin was 8.5%. You can see the splits of operator GGR by region on Slide 8. Q1 saw continued growth in operator GGR in the Americas region with 63% of the total. In particular, Q1 saw its launch for the first time in Virginia, Arkansas and Michigan online.



In January, 888 migrated the majority of its business away from the Cambria platform. Despite this, we saw growth in the European part of the business With operator GGR up by 15% on the same quarter last year. You can see the conversion from the movement in operator turnover to our revenue on Slide 9. Operator turnover post foreign exchange impact was up by 109% compared to Q1 2020. The operator trading margin of 8.5% compared to 9.3% last year.



So the increase in operator GGR It was 92%. In the other column, we see the marked effect from the rapid growth in operator NGR In terms of decreasing the effective commission rates charged to our operators due to the tiered structures in many contracts. The net effect of the revenue for Q1 2021 is up by 55% on Q1 last year To €43,200,000 Let's turn to the full income statement on Slide 10. Operating expenses for the Q1 were €24,500,000 up from €21,100,000 in Q1 last year. Looking ahead to Q2, we anticipate costs will be in the range of €25,500,000 to 26,500,000 The operating profit for Q1 was 18,700,000, up from 6,800,000 in Q1 last year.



The results this quarter continue to demonstrate the scalability in the business model. While costs It's grown in a controlled manner as we continue to build out the company's product capabilities and commercial reach. The large majority of the cost base is not directly impacted By an increase in revenue. So when revenues go up, as we saw to such a great extent here in Q1, the inherent operating leverage results in increased profitability. The profit after tax for Q1 was €15,100,000 up from €4,800,000 Now let's look at the cash flow on Slide 11.



Our opening cash balance was €60,800,000 The significant cash inflow from our operating profits translated into a major increase And our cash balance in the quarter. Capitalized development costs in the quarter were 4,500,000 Whilst the amortization charge on previously capitalized costs was €3,600,000 The net cash inflow for the quarter It was over €17,000,000 and our closing cash balance €78,100,000 This gives us a powerful position from which to benefit from our balance sheet, giving us the ability to be opportunistic if growth possibilities arise. In summary, we saw strong revenue performance in Q1 and the company's operating leverage delivered a significant increase in profitability. So now let me pass it back to Christian, turning to Slide 12.



Thanks, David. If anyone was in any doubt of the popularity of March Madness tournament and the U. S. College sports in general, Then this slide should go some way to remove those doubts. For those not aware, March Madness is an annual U.



S. College basketball playoff tournament, which was unfortunately postponed last year. Its return this year provided a boost to operate the turnover and so college basketball become a number one driver of turnover during the quarter. In fact, in Q1, college basketball generated as much turnover as the NFL and NBA combined. While some of the final games were played in April, March Madness turnover exceeded both the 2018 World Cup and last season's NBA playoffs, with our partners offering a top class outright pregame and live product.



As you can see from the graphic, the number of games played compares well with those other tournaments. Turning to Slide 13. As mentioned earlier, we continued to support our partners' expansion plans with timely rollout. During the quarter, this included going live with Casino Magic in the Argentine province of Neuquen. Arkansas becoming the 14th U.



S. State to go live when launching with Churchill Downs at the Oak Lawn Racing Casino Resort. Launching 5 partners into the new online Michigan market, with 4 on the same day and supporting 2 partner launches in Virginia. In addition to these, we also supported the online launch of Barstow Sportsbook in Illinois and further share Chillumdowns online and retail launches. Turning to Slide 14.



The partner launches have continued into Q2. Just last week, we supported a 3 year online launches Solstad Chilled Downs and its Twin Spice brand. The 3 launches over 4 days took place across Indiana, Pennsylvania and Colorado. And the head of this weekend's iconic Kentucky Oaks and Derby. As a horseracing led brand, The Kentucky Derby provides a great opportunity for TwinSpires to attract and cross sell players to its new sportsbook product.



The launches see the TwinSpires sportsbook available online in a 5 state, adding to the of Michigan and Tennessee. Of course, additional launches are planned in the future. Moving to Slide 15. We often talk about partner launches, and this is due to the fact we are proudly prolific in this area. At Cambi, We see the expansion of our partners as being central to our growth story.



The better we are at providing our partners with a platform for growth, the better the results for all concerned. And I believe Kambi has repeatedly proven itself to be the trusted sports betting partner, highlighted here by our track record in partner launches. Since the start of 2020, Cambria has, on average, enabled a partner launch every single week across many different jurisdictions and regulations across the world. This record is no coincidence and is testament to internal capability we have built throughout the past experience over many years. Whether that through our technical flexibility or product and regulatory compliance or our operational excellence, We have assumed time and again that partner integrations and launches need not to take long time to complete.



What's more in this has largely taken place during the period of travel restrictions, which has made retail launches a little bit more problematic. However, last year, we were able to develop remote launch process, meaning Canby Staffs wouldn't have to be present on property, essentially giving our partners the capability and freedom to manage their own launches at the time, which suits our best. Turning to Slide 16. The sporting calendar very much dictates our how our partners interact with their players. As we found last year, fewer sports means less revenue.



Yet some of the major events we saw postponed last year We'll see taking place over the coming months, which in many ways have created a special summer for OMSBORCH for this year. There's a lot on this page, and I won't go through it all. But as you can see, the calendar looks particularly busy. And this only gives a flavor of what's to come throughout the rest of the quarter and into Q3. The highlight from an operator turnover perspective is likely to be the euros, which I'll talk more about in a moment.



One specific weekend I'm looking forward to is July 10, 2011, where we see both the finals of the Eurus and Copa America as well as the Wimbledon final, not to mention the NBA playoffs. Of course, while the summer months featuring many summer tournaments have historically been the highlight of the year in terms of turnover, Kianvi's recent group in the United States now means a much higher bar has been set throughout the rest of the year, particularly during Q1 and Q4 quarter. Nevertheless, for sports fans, particularly those in Europe, where we've been no shortage of betting opportunities to look forward to. Turning to Slide 17. European Championship is probably the highlight of this offer, at least for European betting perspective.



The event is being staged across Europe for the first time, which could work to increase interest in the tournament. Major soccer tournaments have historically been fantastic player acquisition opportunity growth ratings. For example, the 2018 World Cup attracted more than 2 thirds of third time betters during the tournament, with around 90% of those going on to place the 2nd bet. The tournament also coincides with Copa America, giving Soccer Brothers a full menu of games throughout the day. We believe this will see additional interest in our multi builder product by allowing players to combine multiple selections from different games, including player props into single player.



In general, Kambi offers a fantastic soccer product across Primach and Live. Combined with our advanced price differentiation and marketing capability, our partners can be confident of providing their players with a top tier experience during this important competition. Moving to Slide 18. To summarize, Q1 was another fantastic quarter for Galpin, We have record operating turnover and continue to demonstrate the scalability of our business model. We continue to sign new partnership and expand with our existing partner, setting the standard for new market launches.



When combined, this ongoing success means we have further strengthened our balance sheet, providing us with even greater opportunity to grow to expand and to ultimately provide an even better service to our partners. Now I will pass over to the operator for questions. Thank you. Neiler.



Thank

Q&A



Our first question comes from the line of Erik Moburg from ABG. Please go ahead.



Hi, and thanks for taking my questions. To start off, if we just look at the turnover and just divide it up on a regional basis, you have Europe, Americas and then other. Could you perhaps elaborate a bit on the start of Q2 versus the end of Q1 for each region.



Sorry, I was muted. I think you will see now, I mean, The calendar in U. S. Is slowing down a little bit. So I think What you will see with Q2 is certainly a stronger quarter for Europe and for U.



S. Latin America is more in line with the European vesting pattern.



Got it. And while we're on the subject, as you mentioned, you were still to have a negative seasonality effect there in Q2. Well, how should we just think in terms of the dynamics here? Because like Europe obviously have we'll see a boost from the French Open in Tennis and the Euro championship in soccer. Is it if we think about how this would translate For the full group, do you still think that you could maintain the current turnover level and an extension of revenue going into Q2?



I would guess that we are peaking in Q1 and we'll have slightly lower turnover in Q2. But it is a little bit of uncharted territory for us. We've what will happen in a year with a big Soccer tournament at the same time as the U. S. Being as dominant market for us.



We're



measuring about the numbers



Got it. And looking into the second half of the year, there's a potential launch there in Tobar with in Netherlands with JVH Group. Could you perhaps elaborate a bit on what sort of position You think they can grab in that within that market?



They are a very strong retail brand. But I mean, we have seen both very, very good Transitions from retail into online, and we have seen not so great. So it's way too early for me to Have a good insight into Atherics. Got it. But hypothetically speaking, Do you



think that they could have a similar impact as ATG had in Q1 2019?



Now I would be very surprised on them starting that high. You have to remember that ATG was a very strong online from in our Jamie verticals.



Fair enough. And just looking at the Americas, I mean, The division continues to increase substantially. We're naturally all aware about your U. S. Position.



But could you perhaps Elaborate a bit on the Latin America and the drivers there. Is it still primarily corridor in Colombia? Or are there any other actors that Sort of behind ramp up in growth.



I would say we have 2 partners that are quite strong in Colombia. Coridor, of course, is a market leader, but I think Russia is doing quite well as well. And that is definitely the majority of revenues at the moment. But I mean, Colombia is the only market that really has been regulated so far, and we expect to see great things to come in Argentina come, yes, going forward now. And hopefully, Brast in



the future. Fair enough. Thank you very much. That's all from me.



Thank you.



And the next question comes from the line of Victor Hoeghter from Danske Bank. Please go ahead.



Hi, good morning. So a follow on question on the turnover index. So you commented on the Q2 level potentially being a bit lower than Q1, and due to the now higher U. S. Exposure, what about Q3 with the sporting calendar looking at it as Currently, do you expect the sequential uptick in Q3 over Q2 or to remain at roughly the same levels or below?



I guess this will depend a little bit also on the Drafting how they are transitioning to their own sports book. Of course, we have revenues coming from where up until September, but it Those revenues, if it's transition, will not have an impact on the turnover index. But All things equal, I would say that we would definitely think that Q3 will be on a lower level than Q1. And then I mean, it's only really September where you have a strong U. S.



Sports month in Q3. And then I think Q4 will really ramp up again.



Yeah.



Okay. So on the OpEx guidance, you reiterated for the full year that are now in Q2. What could change the OpEx outlook for



this year, upside or downside?



Hi, it's David. Obviously, there's an element we've highlighted in the past has been the variable costs related to our options program. I think that's probably the one really variable cost, I think, share price. So I mean, that's the one that could potentially swing it up or down. But yes, apart from that, I think Yes.



I think the cost is quite foreseeable from our perspective. So yes, probably towards the top end of that guidance. But yes, that's We're still happy with that guidance for now.



And in the cost mix, Could you elaborate a bit about the drivers there? You're continuing to hire a lot of people. Do you think that will So somewhat or do you expect to continue adding 50, 60 people year over year or also down the line this during the end of this year? Or what to expect in terms of hirings?



Yes. I'd say for the foreseeable future, we will kind of continue hiring at that kind of level. It's Obviously, we paused recruitment for around a year during the height of the pandemic. So yes, we're kind of catching up now to where we We're expecting to be previously. So yes, for now we are recruiting.



Okay. We'll see where that goes, 1 quarter.



Sure. So and with triple 8 rolling off, Majority of the revenues from you now, how much did that affect Q1? Could you comment on the Revenue



effects or turnover effects?



I can't we can't give an exact number, to be honest, for confidentiality reasons with our partners. But Yes. I mean it's from our perspective, it's very pleasing that we can deliver such great results despite the loss of majority of that business. So that's all I can say really.



Okay. And final question for me. We called that a bit cut off for me, so I don't know if you already talked about it. But what do you make of the New York Movements and what to expect what do you expect now that we've got a bit more details on it?



I think it's still well too early to give any Big predictions from what's made out of The last answers we have got, it's still very unclear. I mean, it's just say it's a minimum Two platforms, I think from that perspective, platform seems Now to be defined as where the best placement is done, which means that wood sitting in our technology. So that is very interesting to us. But I mean, how many platforms there will be 2 or 3 is probably the likely number. And how many Skin Zips and Veon each platform, it's still very, very unclear.



So I think we're having okay position here, but it's way too early to guess.



Okay. So will you submit anything ahead of the 1st July deadline?



Or is that also Teillen? Yes.



Okay. Last question for me. U. S. Or Americas Now 63% of revenues, how much of that is U.



S?



Large majority, I can say.



So well above half of revenues.

Kambi Group

Q1 2021 | Apr 28, 2021 07:00



Yes, that's fair. Okay.



Thank you very much.



And as there are no further questions, I'll hand it back to the speakers for the closing remarks.



Okay. So thank you very much for your question and for listening. We look forward to updating you on the 23rd July when we publish our 2nd quarter report for 2021.

