

February 10, 2021

Kambi Group
Q4 2020



Prepared Remarks



Good morning, and welcome to Canvys' 4th Quarter Results Presentation. I am Christian Neulen, Chief Executive, and joining me is our CFO, David Kenyon. Please turn to Slide 2. I will begin with a brief overview of what was another record quarter, after which David will take you through our financial Performance. I will then speak about the quarter in a little bit more depth and give you a few updates from the year so far.



But first, on Slide 3, let me give you a brief introduction to CAMBI. Kemby is the industry's trusted and independent sports betting supplier. Our multichannel service is managed through an in house Develops Platform, which has been continually developed in our back end. The platform, together with more than 8 50th Gift Star, forms the foundation of our service. The Canvas Sportsbook consists of multiple elements from Frontend User Interface and Loop and APIs through to orders compiling, customer intelligence and risk management, enabling our customers to offer their players a tailored and leading sportsbook experience from day 1.



On to Slide 4. Canvys business is built upon revenue share model, with our growth linked to our partners' success. The foundation of our study is based on scalability. At no additional cost to our partners, can we continuously invest in product, people and technology to maintain market leadership. We operate an experienced in house trading and risk management team to optimize operated trading margin.



And our business is underpinned by our corporate prudence and integrity, and we have successfully obtained all licenses we have applied for. All of 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. Kianvi is a trusted partner to more than 30 operators across 6 continents, including some of the most recognizable and successful brand 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 Q4 highlights on Slide 5. Q4 was another record quarter for Cambria, which when you think of the challenging year it has been And the situation we found ourselves in during Q1 and Q2, it's been an amazing turnaround. Q4 operating turnover is up 77% and revenue is up 66% year on year, helping us to finish the year on a high. Our operating margin of 47% illustrates the scalability of our as model. We strengthened the partner network with 2 new partnerships.



Firstly, the Belgian National Lottery, followed by JVH Gaming and Entertainment, a leading operator in the regulating Dutch market. We also continued our U. S. Expansion, highlighted by the launch in Tennessee on day 1 of the market go live. For now, I hand over to David, who will talk you through the financial highlights.



Turning to Slide 6.



Thank you, Christian. Good morning, everyone. In Q4, we had revenue of €46,900,000 up 76% on last year. For the full year, revenue was 117,700,000 up 28% from last year. Operating costs for the quarter were €24,700,000 giving an operating profit of €22,200,000 at a margin of 47%.



Whilst for the full year, we made an operating profit of €32,200,000 at 27%. Let's look at the income in more detail turning to slide 7. This slide sets out the Canby turnover index. The graph shows the aggregated results of Canby's operators. The turnover is the total stakes placed with the operators by their end users.



In Q4, operator turnover was up by 77% on Q4 last year, reflecting 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 and Tennessee and the busy sporting calendar. This included a full quarter of activity in the NFL, all the main European Soccer Leagues and the Champions League. The margin represents the combined trading margin made by the operator.



In Q4, this margin was 9.4%. This was significantly higher than normal and was driven by double digit margins in both American Football and Soccer. We Growth in operator GGR in the Americas region, up 2 65% on last year to now represent 58% of the total. We also saw major growth in the European part of the business, with operator GGR up 51% on the same quarter last year. We can see the conversion from the movement in operating turnover to our revenue on Slide 9.



Operator turnover post foreign exchange impact was up by 77% compared to Q4 2019. The high operating margin of 9.4% compared to 7.4% last year. So the increase in operator GGR was 126 Defence. 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 is that revenue for Q4 2020 is up by 76% on Q4 last year to 46,900,000 Let's turn to the full income statement on Slide 10.



Operating expenses for the Q4 were €24,700,000 up from €20,500,000 in Q4 last year. This was higher than the guidance previously provided due to additional social security costs in relation to the share options programs. These are directly driven by movements in the share price. Looking ahead to Q1, we anticipate costs will decrease to €23,500,000 to €24,500,000 For the full year 2021, we expect costs to The operating profit for Q4 was 22,200,000 Up from €6,200,000 in Q4 last year and €32,200,000 for the full year, up from €14,700,000 The results this quarter truly demonstrate the scalability in the business model. While costs grow 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 Q4, the inherent operating leverage results in increased profitability. Profit after tax for Q4 was 17,300,000, up from 4,600,000 and 24,100,000 for the full year, up from €10,400,000 Now let's look at the cash flow on Slide 11. On this slide are the major components which impacted our cash position during the quarter. Our opening cash balance was €45,900,000 The significant cash inflow from our operating profit was partially offset by a negative cash movement in our working capital.



Trade receivables increased in the quarter, predominantly due to a much higher level of invoiced amounts in the months preceding the quarter end compared to in Q3. Capitalized development costs in the quarter were €4,700,000, whilst the amortization charge on previously capitalized costs was €3,300,000 The net cash inflow for the quarter was €15,000,000 and our closing cash balance €60,800,000 In summary, our financial performance reached record levels of revenue in Q4, 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. Before we look at Q4, I wanted to begin with an overview of 2020, which was, of course, a unique year for many reasons. The pandemic had a major impact on our business and the industry as a whole. For a period, the sporting calendar was very light, and we have to quickly adapt. I am proud not only for how we handled the situation when it was at its worst, but also how well we prepared we were for the return of sports, often at short notice.



Our strong financial position enabled us to take a long term view of the situation, enabling us to have the skills and resources in place to ramp up when necessary. We were also able to demonstrate the scalability we possess within our business model. Not only did we post a record financial performance despite major disruption in Q1 and Q2. We also did it with fantastic operating margin during the second half of the year. We continue to expand across the globe, signing 4 new partners, including Churchill Downs and entering 6 new regulated jurisdictions with market first launches in the U.



S. States of Michigan, Colorado, Illinois and the Tennessee. Underlying our compliance capability and speed to market. With the partners we have added this quarter, We have successfully signed partners in 4 different continents in the space of 3 quarters despite the travel restrictions caused by the pandemic. In total, throughout the year, We completed more than 50 partner launches across online and retail, a monumental effort which highlights our operational excellence.



All in all, while it was at times a difficult year, we continued to deliver for our partners and finished the year in a much stronger position than we have started. Turning to Slide 13. Now to the Q4 highlights, which included 2 new partner wins. While we touched on the win of a Belgian national lottery in our Q3 report, in December, we also added a partnership with JVH Gaming and Entertainment, which is the largest private casino operator in the Netherlands, a market which is on track to regulate later this year. When taken together with Belgian Natural Lock Free, It shows there remains good opportunities available in Europe.



We look forward to launching with both partners later in the year. Turning to Slide 14. Q4 saw us continue our U. S. Expansion.



Tennessee became the 12th U. S. State we entered, launching on the 1st day of the online market, once again illustrating our ability to get partners to market ahead of competition. We also supported the launch of RSI's Beth Rivers brand into the online Iowa markets. Recently, the regulator in Iowa changed regulation regarding new account sign ups, enabling bettors to sign up remotely rather than having to open an account in person as was previously the case.



Early reports Should this change, we assist the growth of this market. In terms of retail launches, we launched 3 new is 1 with Parks in Michigan and 2 with Churchill Downs, both in Mississippi. Moving to Slide 15. Following the turn of the year, we added another 2 partners to our network. But first was Racing and Wagering Western Australia.



It's a state run racing authority in Western Australia. It currently offers a sportsbook through its TubTouch brand and will be changing its technology partner to Columbia. As we have seen with the success of ATG, there is great cross sell opportunity with horse racing vessels and a high quality sportsbook product. Elsewhere, we signed a partnership with Casino Magic, an Argentinean casino operator with a strong position in the province of Neuquen. Argentina is currently regulating sports betting on a province by province basis.



With Nequan already regulated, We hope to launch Casino Magic Sportsbook later this quarter. The partnership with Casino Magic builds on the early success in the promising LatAm region, and we look forward to further regulation providing us with opportunities to expand. Turning to Slide 16. In January, We completed a number of partner launches. In Michigan, we supported with simultaneous launches of 4 partners in the online Michigan market.



Having already taken our 1st resale business date in 2020, We were delighted to also produce as the 1st legal online best in the state. The early signs for the Michigan market have been promising, and we look forward to seeing how this market grows in time. Meanwhile, we also added the 1st U. S. State when launching online in Virginia with 2 partners.



The timing of the market going live came as a surprise to most, being earlier than anticipated. However, our regulatory and compliance teams were able to quickly complete the necessary compliance checks who will enable us to launch within 48 hours. In terms of retail launches, so far in Q1, We have supported Churchill Downs with 2 sportsbook launches, 1 in Indiana and the other in Pennsylvania. I should also highlight 888, who in January completed the migration of its UK and dotcom players to its in house platform. As previously communicated, this place historically contribute more than half of EBITDA of Cognizant.



Turning to Slide 17. The most recent update from Q1 is the Super Bowl, which took place last Sunday. Although we set new records for best placed and volume speed on any single game, we unfortunately experienced some intermittent debt placement issues across approximately 85 minutes shortly before the game, which we are very disappointed by. The problem was not the result of high volumes or any systematic issues. As you can see from a graph, which details peak bets per minute for suitable Sunday this year and last.



We successfully handled high volumes throughout the day and volumes well in excess of the 2020 event. Furthermore, our in play volumes were consistently and comfortably ahead of a peak in 2020 with no issues whatsoever. The issue we experienced prior to kickoff was related to one particular best offer for which we increased the number of possible outcomes, especially for the Super Bowl. This best offer was the 3rd most popular offer on the day and due to the extended number of outcasts, required extra technical capacity as part of our best validation process. Unfortunately, this additional capacity caused the backlog and slowed and occasionally stopped the bed validation process for all beds, with the impact first felt just after 5 p.



M. Eastern Time. We're able to apply a short term fix to alleviate the situation temporarily, with a permanent fix applied roughly 7 to 8 minutes before QICCO. During this 85 minute period, we were unable to prove as best for a total of 40 minutes, with 22 minutes being the longest continued period where no bets could be placed. In between these moments of disruption, we were able to process a high volume of that.



And in the time frame just before kickoff, We were able to process the highest volumes of all time. I can assure you the issue was not related to overall debt Board. And having quickly identified the root cause, we are certain we would not suffer The same issue if Superbuhl was paid again today. We are taking pride in providing high technical stability and suffering such an issue just before Superbuhl is very disappointing. We have very high standards, and this is something we will and have learned from.



Moving to Slide 18. In recent years, Cambria has grown at a rapid pace, so much so. In Q4, more than 3,000,000 Unique Accounts, who are active on Cambly's portfolio. These large numbers bring great value to the Cambly network, which now consists of more than 30 partners worldwide. The Cambrian network aggregated Aggregate processes and analysis an extraordinary amount of data produced by our large global player base from which we derive powerful insights.



As the network grows, either organically or through the addition of new partners, The value of data increases from which every partner benefits. As an example, The best truck in one part of the world could provide valuable information, which then causes us to move the price, thereby benefiting all partners throughout the world who benefit from best price change protecting margin. Sportsbetting is data driven enterprise. The more data you have, the better you are able to analyze and optimize your product. In simple terms, the Kambi network is greater than the sum of its parts.



And finally, to Slide 19. To summarize, Q4 was a fantastic quarter for Kandi as we ended the year on a high. We posted record operator turnover and revenue, while also demonstrating the scalability of our business model with strong operating margin. Although we are not halfway through Q1, momentum has continued into the New Year, and we feel well positioned to make the most of the position of strength we found ourselves in. I will now pass over to the operator for questions.



Thank you.



Thank you. The first question comes from Victor Hoegh from Danske Bank. Please go ahead. Your line is open.

Q&A



Yes, good morning. So I had some connection issues. Maybe you talked about it. But could you talk a bit about the Turnover the composition of the turnover index in Q4 between the months, do you see an increase every month? Or what did you see there?



Hi, Victor. So the turnover, it's quite similar between the different months. I guess the highs was in November, I think, and that's Very normal, I would say. In December, you have a little bit Less activity due to the Christmas period. So yes, it's very Common for Q4 to be, yes, very similar month by month, I would say.



Okay. And in connection with the trading update in the beginning of January, in Swedish media, you were quoted Just saying that Q1 should end up at Q4 levels or something like that. I would assume that it's regarding the turnover of revenues of the Q4 margin. But was that comment including or excluding the effect of 888 rolling off now in January? And so was the comment on the underlying performance or the total reported, just so we don't misinterpret your comments?



I mean, it's a little bit hard to know exactly because you yes, it depends a little bit on the activity of events. But What we have seen so far, it's very likely that we will end up in similar numbers to Q4. And that is You're correct. What I commented earlier in the year most definitely on turnover.



Okay. And if we would end up at similar levels, that is the total level, not the underlying level You're pointing to now?



The total of it, yes.



Okay. And on Super Bowl, I Might have missed it, but your expectations with the E Tech issues included, so The volumes in relation to your expectations, were they in line or above or below or In terms of turnover?



Slightly below and That is very much dependent on the disruption we had 85 minutes before kickoff. But it's quite marginal difference to our expectations actually.



Okay. And speaking of expectations, we're getting closer now to this summer. I haven't seen Any comments or things pointing either way or the other, but what would you say the chances of the euros this year Or the risk of it not happening, do you see that as a risk? Or how would you think about This summer's activities with the Olympics, especially the soccer tournaments.



As you said, it has been very little said about it, especially the euros actually, I think, for Olympics that There has been some rumors that we are going to be canceling it, but the latest thing that we will try to go through Uyghur Olympics. But it's obviously, yes, Klashenko. The euro, I haven't heard anything which makes me believe that it will happen. But the construction of a tournament, I mean, that is an issue in itself. If it had been a euro played in one country As it has been historically, I would not be worried at all.



But The fact that we are planning to place in, I think, 12 different The country makes me a little bit more nervous for IFRS 1.



Okay. And you haven't seen anything that will point to consolidating you to a smaller number of countries?



Now it was more talk about it, yes, 9 months ago, but I haven't heard anything really about it for a long time now. So no signs.



And in terms So 'twenty one, you're guiding for OpEx, SEK 100,000,000 to SEK 105,000,000. How should we think about it throughout the year? Do you Expect the OpEx to decrease somewhat in Q4 when DraftKings drops off? Or should we expect a slight increase quarter over quarter throughout the quarters in Q20 21 or how would it look over the year?



I think hi, Rich. I think you can more count on a kind of a fairly steady increase as we build out of Product Capabilities and the Geographical Reach. It's rather like we always say, it's not really linked to the amount of revenue. So losing 1 customer won't directly impacting the cost base as such. So more and more accounts on a fairly steady growth of OpEx during the year.



Okay. And in terms of New York, I know you had some text on it in the report, but what is your best guest now with everything happening with the EBITDA governor leaning towards we're favoring our monopoly model and then some lawmakers wanting to have a multi operator model. What is your best guess? What is happening? What's your take on New York and the prospects of you being in that as well?



It's really hard to have a guess. If I were a gambling man, I would say that I would bet on it being a several operators, and I would guess that they will push The license fee and tax rates are.



Okay. Makes sense. And in terms of Germany, how large is that market for you? I think it's single digits, but how many Or is it high single digits or mid single digits? And do you see some kind of headwinds there?



Or what do you see in terms of the German market the past couple of weeks?



Yes, it's not a very big market at all for us at the moment. So I would say that for us, regulation would probably be very positive because I think you would see some new entrants to a market. And some of the customers we are having probably being more active in Germany.



Okay. Last question for me before I let someone else on the line. Latin America, you have some comments on it And the report as well, what do you expect from in terms of revenues, when could we see material Revenues from Brazil or Argentina or countries in South America, is it already this year? Or would it be 'twenty two and 'twenty three, more tangible effects on the P and L.



I mean, first of all, I would say that It already has a tangible effect on the P and L, thanks to Colombia. I think There is a chance that you will see nice growth in Argentina quickly, but that has to be combined with regulations in the city and the province of Buenos Aires, which is a mature part of our margin premium. Brazil, a little bit tougher to Yes, when it will happen, but obviously, Brazil is a massive country. So if it were to happen, That is where the big effects could come.



Okay, great. Thank you very much.



Thank you.



Thank you. The next question comes from Malon Wernig from Pareto Securities. Please go ahead. Your line is open.





Good morning, Christian and David. First, a question on AAA. In mid January, AAA said it could continue with from the Globally. Can you comment a bit here what is the time line of triplet going forward? And what market will triplet be with you more longer term?



Yes. So the market that we are still with us is regulated markets in Spain, Denmark, Romania, Italy and the U. S. I can't comment on the length of that, of what we communicated when yes, roughly a year ago, That is yes, for midterm outlook.



Thank you. And the question on the DraftKings new contract. DraftKings now using Cambium, Michigan and Virginia, what can you say about those Contract outside the 8 states agreement you earlier had with DraftKings, if you can say something about contract lengths and also if they differ Some significantly in terms of terms with other drafting contracts.



It's the same contract that was already in the contract, a multistate deal. So Very smooth new terms due to Michigan opportunity.



So it's short term contracts, September end of September 2021,



correct? Correct. And what is



the reason why you have not taken the opportunity to Be more hardball with fracking in those kind of states.



As I said, we had a contract.



Okay. Also question on your cash position. How should we view your cash position going forward? What opportunities does that give you?



Hi, Neulen. Yes, I mean, I think the first thing to say is, obviously, during Q1 and Q2 last year, we were extremely Reassured by having such a strong balance sheet and a high cash position. So our reflection on based on that period of the The impact on the sporting calendars, we really appreciate having this security. The second point For existing and future partners, also that security gives them security in us. So the two reasons why we will always look to have A strong balance sheet and a high cash position, but we do appreciate that balance is getting quite high now.



And There may



be a lot of M and



A activity going on in the market out there now. So we'll, of course, continue to look into that as a possible use of funds. But right now, we're just happy to have a strong balance sheet, and we'll keep looking to how we can best use it going forward.



Okay. Thank you very much. Thank you.



Thank you. The next question comes from Helmut Auerbach from Kepler Cheuvreux. Please go ahead. Your line is open.



Thank you. First, just a question on your new client, Exane and JVH, Bergelotri and the Australian client there. Could you give any indication of what's your hopes or what the potential of this client could be? Or is that very difficult to say?



It's quite difficult to say. I think all of them I mean, yes, if you take the Australian First, I mean, they already have an existing database. It's quite a small part of Australia we are operating in, of course. But yes, that should generate some decent revenues directly. Belgian Lottery, I think we are going from a very for Sports Prepping Products to a strong one.



So there is a good potential, but it's too early to say what will happen there. JVH, of course, I mean, I have a very strong branding in the Dutch market, but starting from scratch with sports betting, so very hard to see.



Okay. Thanks. And then just a question, the general overall Client Mix. I know we have the DraftKings contract ending in September. Could you just talk a bit in general about client mix?



I mean, how big are your larger clients? I know you have said this in the annual report, but if you could give some flavor on that and then what kind of growth that you expect. I mean, in U. S, for example, do you expect better mix between your clients there? I guess, DraftKings is big now, but you have M there and also some others.



If you can just add some info there.



Yes. I'm not sure if you lose a large customer, but the mix becomes better, but yes, it will probably be less heavy on who aren't just in the U.



S. For sure.



Having said that, I mean, PEN and Barstool, I mean, they have shown very, very strong numbers early on. So I think there is, yes, quite a good potential of Penn's taking a very, very strong position in the U. S. As well. But we have other really strong brands.



Flash Feet has been very impressive in the U. S. So far. And of course, we hope a lot on Churchill as well. So it will definitely be more even mix throughout the Philippines.



I'm not so sure about Pederdo.



Got it. Thanks. And just as a general question on I mean, you're getting a bigger client base now. How do you how do they view, I mean, the Product differentiation, do you think they feel that they can have a product that differs from the competitors? And then can you add more here?



Or how does that look now, if you understand the question?



Yes, I think more or less all our operators are not utilizing the tools we have to full extent. So all operators can do more if they want to differentiate, especially on the front end side. But we have also even more and more opportunities to differentiate on price. Having said that, I mean, there is limited amount you can differentiate from price, whether you do it in house or We've a supplier since it's a market and you can't create arbitrages. But we have good flexibility on the pricing side, I would say now.



On the To say, in the system and the promotion side, I also think we have give Operators, good opportunities to design their promotions. So I would say that compared to most Technologies, you can pick from even with in house. You probably have Better possibilities we can be than most other technologies. Of course, if you have one of the best technologies in house, you get an edge. But It's a very, very hard proposition to get to.



Okay. Sounds good. That was all for me. Thank you.



Thank you. There appear to be no further questions. I'll return the conference back to you.



Okay. Thank you for your questions and for listening. We look forward to updating you on the 28th April when we publish our Q1 report for 2021. Thank you very much.