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Kambi Group

Q4 2022



Prepared Remarks



So hello everyone and very welcome to KMB's Q4 2022 report. My name is Simeon Rudlander and I am Senior Vice President, Investor Relations and I am here today with our CEO, Christian Eeljan and our CFO, David Kenyon. Today, we will start here I'm starting presenting Drousel for the quarter and thereafter you will be able to ask questions. You can either call in and ask them through the telephone or send them to me in the web. So once again, very welcome and over to you, Christian.



Thank you, Mir, and good morning. I will start with some highlights from the quarter, And then I will hand over to David to go through financial highlights. And then I will come back, talk a little bit about the Kambi 2022 and more specifically about the quarter. And then we, of course, do Q and A. So highlights.



First of all, I would say we had a very, very strong financial and operational performance We have a 30% underlying revenue growth and that is without a one off payment from Penn. During the quarter, of course, it was World Cup, which is a very odd time of the year in Q4. But I would say we had a very successful World Cup. I will talk about it more later. We have done 3 partner signings during the year.



The most important, I would say, is Radio do Pitacco, Which is Brazil's largest daily fantasy sports operator. And hopefully, that We'll be a very, very successful story as soon as Brazil decided to regulate. And finally, we have expanded our footprint in Americas. We've launched this in Maryland and Washington in U. S.



And More retail places in Ontario and in 4 different Argentinian provinces. So over to you, David.



Thanks, Christian. Good morning. Welcome to the financial section of the presentation. So firstly, the financial highlights. Revenue for the quarter was 57,800,000.



We had a very strong quarter. As Christian mentioned, there was the World Cup, of course, And a strong sporting calendar, which I'll talk through in more detail. That 57,800,000 includes a one off termination fee from Penn In relation to the termination of the contract, that was €12,500,000 or €12,600,000 recognized on the P and L in the quarter. Excluding that one off fee, revenue was 45,200,000 which is a 30% increase on the numbers from Q4 last year. I think it's a really strong result, especially as this is now the Q1 where we have no DraftKings in the comparatives.



So this is a true underlying growth in the business here at 30%. Costs for the quarter were €39,200,000 slightly lower than we actually forecast at the start of the quarter. And this was the first quarter where we had full costs from Shape Games. This led to an operating profit in the quarter of 18,700,000 And when stripping out the pen fee, it was €6,000,000 as operating profit. Extremely strong cash flow in the quarter, €17,900,000 And I think this really kind of rebuilds our balance sheet after the cash acquisition of Shape Games.



So I'll talk more about the cash vice. Flow and the balance sheet later, but we're really rebuilding the strength of that balance sheet with this very strong quarter. Turning to the full year. So full year 2022, revenue was 166,000,000. This includes the termination fee I just mentioned.



Operating profit, €34,800,000 at a margin of 20.9%. Looking back on the year as a whole, of course, we had some headwinds. This was the 1st full year without DraftKings, which was a major contributor last year for the 1st 9 months of the year. And we also had some regulatory headwinds which impacted our revenues from the Netherlands, which impacted our revenues in the first half of this year. On the flip side, we've had many signings in the year.



We've launched into new markets such as Arizona, Connecticut, Louisiana and New York online. And we have a full year of Aebios revenues now in our numbers and 1st 4 months of Shape Games after the acquisition in September, Which of course both impact the revenue and the cost line of the P and L. So a pretty active year. And I think overall, we're really happy with how we've emerged at the end of the year. In terms of mentioning costs here, we did talk about we gave a cost forecast for the year ahead in the report this morning.



We talked about a full year 2023 total expenses of €155,000,000 to €175,000,000 This includes, of course, the first full year of Shake Games revenue compared to 4 months here in 2022. And that the difference between the 4 months and the full year is estimated to be 12,000,000 to 15,000,000. So stripping that part out, the actual underlying Cost base is growing at a much slower rate than we've seen in prior years. And at the recent Capital Markets Day, I talked about the reasons for that. And it's really that we can now benefit from years of previous investment, in particular to reduce growth in our headcount.



So that's what's helping drive that slowdown in costs in the underlying business. This slide is an aggregation that we show each quarter of the underlying performance. It's an aggregation of the all the operators in the network. The orange line is the operator trading margin across the portfolio. That was 8.1% this quarter.



The blue columns represent an indexed Aggregation of the turnover of the network. This turnover was up 20% versus Q4 last year. Of course, Q4 is always a strong sporting quarter. We have a full quarter of the U. S.



Sports, NFL, NHL and basketball all contributing significantly. And we have the World Cup. Of course, this did displace Fixtures in the major European leagues. So there was a downside there, but overall, we've, you know, the the turnover from the World Cup actually contributed to a net positive Compared to those fixtures that were displaced. So overall, we did see 20% growth year on year, which we're extremely happy with.



We think it's excellent growth across the portfolio. I think we should note that it could even have been better actually. We note comments from one of our operators, Penn, who talked about a reduced focus on Acquisition of customers, which has led to them having a lower market share in key states. So these numbers here, I think actually is a positive read through The rest of the portfolio, they're actually growing at a faster rate than you see indicated by this chart. So overall, we're really happy with these underlying growth numbers in the business.



This graph shows the revenue conversion from starting at Operator turnover growth, 17% increase on the like for like exchange rates. And then factors in all the elements which ultimately end up in our revenue growth of 66% in the right hand column. Operator margin was 8.1%. That compared to 7.8% this time last year, so that was A positive contribution versus Q4 last year. And as I mentioned, it's the 1st full quarter of Shake revenues, approximately 3,000,000 Which is an add on, of course, to what we had this time last year.



And this after the shape contribution there is a 30% growth versus this time last year. Then adding in those pen termination fees of 12,500,000 Recognized here in the P and L, that takes us to the 66% growth of the business. It's also been, as I mentioned earlier, a really strong quarter in terms of cash flow. We started the quarter with €45,600,000 in the bank. We made £6,000,000 operating profit excluding Penn fees.



Of course, we did get in that £12,500,000 I mentioned. We also Received the first tranche of the transition fees for support services we'll offer in the coming years in the contract we announced late last year. And so we have the first €5,000,000 of those transition fees received in the quarter, so €17,500,000 in total in that pen fees column. Movements in working capital include payments of our corporation tax and a small increase in our debtors. And the net effect of all these movements is to increase our cash position to just over £60,000,000 at the end of the quarter.



I I think this is really important that we strengthen our balance sheet again after we made the full the acquisition of shape fully in cash. And And this really opens up our future options to use our balance sheet to support our future growth of the business. And with that, I'll pass you back to Christian.



Thank you, David. So yes, just before I go into Q4, I would like to say a little bit about the Can be 2022 in review as well. So I think this has been a Great year, a little bit calmer than we have been used to in 2020 2021. We've some movements on some of our key Vice President. And as many of you know, we had a Capital Markets Day where we presented our strategy going forward and establishing some targets for that a month ago.



Other things that happened in 2020 So we agreed extensions with 2 of our leading customers, Kindred and Bet Parks. And this is, of course, very important to have some financial stability. We extended our reach in Americas. So we have quite a few different signings. We had in total 9 partner signings during the year, which is a record in itself.



I will go in more in detail in Radio Petacao, which I mentioned earlier as well. We also did Great Canadian in Canada and on this in Argentina as 2 other important ones. We completed more than 60 Online and on property launches during the year. Again, demonstration demonstrating our operational capability to Launch with our customers as soon as new regulations opens up. And finally, we did a major leap in our UX capability, acquiring Shape Games, which gives us Another broadening our product, we've also been able to in house In Q4, we had World Cup, which, of course, is a very strange timing.



Still, it was the best World Cup tournament in Canvys history. Of course, it was a significant reduction in the number of domestic fixtures. I think of our top 10 leagues, it was roughly 2 thirds of a normal year. And still, with 64 matches from World Cup, We still came out to what we estimate a net positive compared to having the domestic football. So Very, very pleased with the result of World Cup.



But more importantly, I think we had an amazing product, Vice. Very much driven by what we will talk more about, our 3rd generation trading capabilities. But all in all, Very, very pleased with the product. We were able to deliver to our customers and the result of it. As I said, we have launched Our 3rd generation trading during World Cup, we discussed it in-depth at Capital Markets Day.



So please listen to that if you want to have a more extensive insight in it. The rollout during World Cup could probably not have gone better. We stress test it at the Absolute maximum scale and delivering a more expansive product than we had before and with a better result. As an example, during knockout fixtures, we could, in 90 seconds, publish more than 500 new markets, giving our customers, of course, the first to market possibility for their end users. But for us, it's also a massive cost efficiency going forward.



Being able to publish Automatically, so many markets instead of as before, some of them are special markets had to be done by Emmanuel Labor. Since World Cup, we have ruled out this product on All the major European leagues, such as Premier League, La Liga, Champions League, and now it's roughly 60% of our pre match turnover on soccer. In the weekends, it's even higher. We are planning to roll this out later in the year in Play Game as well. And after that, we are expecting to roll out more sports, Hopefully, one more during this year.



In general, you can say that this capability has already improved the player experience And it's building towards what we expect to become more and more a limitless sportsbook in the future. As highlighted previously in the quarters, we have a market leading Betbiller product. We started developing our BetBuilder product in 2018. And I would say now it's more about Really tweaking and making it better and better. And during Super Bowl, we actually were able to introduce it in play and offer cash out for Super Bowl Bets.



Today though, I would like to focus a little bit on pricing. And the reason I would like to talk about the pricing is because it has been quite a discussion on our forums about margins. To do pricing correctly, of course, it's a Fast work. You have to work with very, very large data sets. Of course, you have to have Great algorithms.



And again, here, the 3rd generation trading will become more and more important. Preferably, you have some trading expertise even if you can automate a lot. There are some situations where You still want to have the manual input. In Cambi, we have a unique network of data Spanning across the globe of millions of users, which also gives us a great source of input to Get to the most accurate pricing. I wanted to show you an example, and this is not a random example.



It was featured in Wall Street Journal article where we compared FanDuel and DraftKings pricing. Our price was, of course, not compared there. But just to give an example here, on this random example, We took Kansas Chiefs to win the Super Bowl, Travis Kallister to score a touchdown and the same for Yale and Hutch. When we looked at this price, Ferndjell and DraughtKings was roughly 7x the money. Cambi had 8.50.



I will say that our price has roughly 15% theoretical margin. If that's the case, it would mean that FanDuel and DraftKings has roughly 30% theoretical margin. You can of course lower to that number and create better, better margin for the operator. But I would say that is the wrong way to go. With a higher price, you create a much, much stickier product, better UX for the end user.



And we will spend our money over a long time, but hopefully And we would expect the customer to spend more money at a higher price than we would do on lower prices. So going into Our acquisition of Radio Putaco. I think this is very, very exciting. Brazil is obviously a massive market When the regulators decided to open it up, one of our primary targets in Brazil was Radio Protocol, and we are very, very proud to sign them. They have a massive database as a Fantasy Operator.



And we expect and hope that they can emulate what the DraftKings and FanDuel did in U. S. When the U. S. Market opened And for Radio Petaco to become a leading player in Brazil.



We hope that this market will be regulated sometime later 2023 or 24. During the Q4, we also signed LMG in Puerto Rico And a great Canadian in Ontario, but we covered that in the Q3 report already. In Q4, we continued to do a lot of launches across the Americas. We launched into 2 new states in Maryland online and in Washington state, where we opened up a retail casino. In Canada or specifically Ontario, we launched Multiple properties for both Great Canadian and Mohegan during the quarter.



And in Argentina, we continued our expansion with launches in 4 new provinces with Casino Club. LatAm is gradually becoming a more and more significant market for Cambi. We have a strong position, And we believe it's having great potential, particularly with Brazil on the horizon. It has been a busy period after Q4. Most importantly for us, we have extended our partnership with Rush Street.



Rush Street was our first U. S. Operator after PASPA, And it's one of the leading operator in U. S, but also in Colombia and Mexico. We extended our partnership with Sun International, a leading operator in South Africa.



We launched on day 1 in Ohio, where we powered 9 launches on the market opening day of 1st January. And in the end of January, we also launched a retail sportsbook in Massachusetts And we hope for online to be launched in March. And finally, in the end of Yes. We have also done 2 new partnerships with Miami Valley Gaming in Ohio And the Lager Resort and Casino in New York, both retail and both already live. Camb is now live in 21 U.



S. States and well established as the number one supplier in the U. S. Market. Also after Q4, we, of course, Head our Capital Markets Day.



And as we communicated last month, we have adopted new financial targets. To achieve revenues of 2 to 3 times the full year 2022 figure, an EBIT of at least €150,000,000 These targets are largely dependent on a few key growth drivers, which I will talk a little bit more about now. First, I think it's very, very important for us to retain our key partners. And a good sign is that we have already this year extended the contract with Rush Street. And I hope You will see more coming this year.



Earlier, I spoke about the 3rd generation trading capabilities. We're currently rolling it out on soccer, and I hope we will continue with more sports. And I think this is very, very Successful for important for our success, both when it comes to our product quality, Being able to have a leading product, but it also will have a very big impact on our cost efficiency. We are already clear market leaders, as I said, in the Americas. But I think we need to keep a position And extend it into new markets as we roll out.



And there are a few key markets more important than others, namely Brazil, Texas and California, which we hope and believe will be regulated during next coming years. We need to be very successful with our modernization strategy as we communicated during Capital Markets Day. We have done a few signings a few acquisitions with Abios and Shape, But we also need to be very successful with Cambys, yes, say, own portfolio to be able to modernize that and assign Tier 1 customers. And finally, we need to launch a major regulated Asian market. And we are looking especially at 2 here, Japan or India.



If we are successful with drivers, we are very confident that the EBIT target of NOK 150,000,000 is very achievable. So to summarize the quarter, we had an excellent financial result. We've growth across various KPIs. We had a very successful oil cap. And I would say This is coming in a quarter where the financial pressure globally is quite tough.



So very pleased with the results. The 3rd generation trading performance, Again, underlies the future potential we have. And the success we had during World Cup is very, very promising. And having laid out our study during the recent Capital Markets Day, we feel we are



Thank you, Christian and David. Now it's time for Q and A. And as I mentioned in the beginning, you can either call in Your question or send them through the web to me. So over to the telephone conference, I think, if you have any questions.

Q&A



Vice The next question comes from Oscar from ABG. Please go ahead.



Thank you. Good morning, and thank you for taking my questions. So first of all, just to apologize In advance, if I ask you anything that is already mentioned because I missed a small part of the presentation. But First of all, I would just like to get the sense of if you had any impact from the mattress Mac Large wins. So for example, Kindred had a pretty substantial negative impact in the U.



S. At least. But can you say anything About your impact, is it substantial?



I don't want to go into exact details, but We took 2 bets, 1 through Kindred, as you say. And also, I think, Pen has mentioned that we had a bet from MAPFREZMAG. So there is some impact for us during the quarter, yes.



Understood. Thank you. Then on maybe a question for David. Just the reason behind the wide OpEx guidance because I mean A little bit depending on the level, it represents quite a substantial part of EBIT, I guess. Is there any reason why it's like SEK 20,000,000 In the range.



Yes. Thanks for the question. I mean, I'd say, obviously, there are more parts of our business now. Obviously, with the Shape Games acquisition recently, There's kind of more parts we have to forecast. And specifically on Shape Games there, it's definitely a case of being able to match Cost growth to revenue opportunity.



So they don't need to grow the costs really unless those revenue opportunities present themselves. So that automatically gives us a little bit more kind of breadth in what the cost might be depending on where the revenue goes. Add that to All the parts of the business we talked about at the Capital Markets Day, the growth of Exalgo or the Exalgo Trading, the growth of Avios into odds revenues and of course, The uncertainty in the cost base, generally in terms of the global economic position, there's always kind of factors flowing around. I think that's why we gave a slightly A broader kind of range this time.



All right. But okay, since the acquisitions of Ebeos and Shape Gyms, I mean Because I mean a lot of your cost base is kind of fixed, right? So I mean you don't really have a lot of variable costs In the OpEx at the moment? Or correct me if I'm wrong here.



No, that's correct. That's correct. I mean there's some there's the data costs, which Again, are impacted by the revenues, yes, by the customers that we sign up with. So again, that's one that's variable, but broadly, the majority is fixed. We've got a pretty tight view on the turnkey business, what the costs are with that.



It's more on these other moving parts, the new modules in the business that come with a bit more Kind of slightly more uncertainty from our perspective, hence the broader range.



Okay. Yes, I see. Then just you were at the ICE conference recently, and I visited myself and Saw some positive feedback, mainly on the 3rd generation algo trading and also, I mean, a bit on the bet Builder, can you share anything from your side? Did you receive a lot of interest for the modularization? And also, what were the Sort of key highlights from potential clients on the Bet Builder.



I mean, you obviously offer better prices, for example, in the Betbiller also. How do you make sure that the bettors actually get aware of those differences in pricing?



Yes. So yes, I would say ICE was a really, really good venue again After last year, when it was just before Easter and it was quite slow, it was packed. And It was a great interest for us. I personally was in meeting rooms most of the time, so I Don't have the first hand information what happened on the floor, but what I heard, it was a great interest For all modules, really, I think it was a lot of interest from both When it comes to ABS shape, the Algo Trading and Bet Builders, so Very, very positive across the board, I would say. You touched on another thing here as well, the bet builder and the pricing.



I think we reacted a little bit on it lately about the discussions about margins from different various U. S. Operators. So I think this is something we will Really push operators to be aware of how good pricing they have. And I think We may not have done a great job so far on it, but you can be sure That is top on mind for us to make sure that our current operators and, of course, new prospects are very, very aware about our pricing and what the significant difference it is.



And this will become more and more evident When cash out becomes more of a given product for BetBuilders.



Brilliant. Thank you. Just a final question on RDP in Brazil. So obviously, we've seen like Fanjul and DraftKings with Decent conversion rates to the sports betting product from The Fantasy customers. But can you give any details?



Do you have any sense of what the sort of Average spending per user in Brazil is compared to the U. S, for example, Because I mean, SEK 14,000,000 in downloads is quite a substantial number, but then I mean, sort of the average revenue per user.



I'm sorry, I don't have that figure, so I can't really give you anything on it. But Brazil is a very, very large country. Obviously, they don't have the same financial means as Americans. So You should expect a much lower average spend per customer. But having said that, With the size of the country, it's very, very exciting.



Understood. That was all for me. Thank you very much.



There are no more questions at this time, So I hand the conference back to the speakers for any closing comments.



Okay, thank you. We have a few questions actually here. We start with you, Christian. Can you elaborate a bit on when you expect to be able to start selling the BetBuilder as a standard model? And do you have any plans What's the second model could be as a standard product?



We are selling as we speak. When We will sign a customer, I don't know. I would also say that the pipeline for the Full turnkey product is very, very strong at the moment. So it's a little bit a question on What to prioritize at the moment? But I definitely hope still that we will have something in place, Yes.



We're in a few quarters at least. I don't want to expand too much about what is the next module that we will start marketing.



Okay. And another question regarding BetBuilder, how will the pricing model look like higher or lower rev share than signing a whole platform? Anything you can Enaglia.



Yes, I guess it should always be a discount if you take the Full product and also the BetBuild is very complex part compared to For instance, we have straight money line prices on Top league in soccer, for instance. So it will definitely be higher pricing on a bet builder than a full product.



Okay. Another question for you, Kristian. Do you think one of the big U. S. Operators could have been profitable already today with a Liberal already today with a 3rd party sports book provider rather than going in house.



Yes, I do think so. Having said that, I guess the largest cost that they have at the moment is Marketing rather than the build of a sportsbook product. But I think they would have a more solid product service. So I think that would have been possible, yes.



Okay. Quite a few questions here. Another one for you here. Looking at your pipeline, are there any contracts you had hoped to secure with have fallen off or does it remain intact?



I don't really want to comment on the pipeline on things that We haven't announced, but I can tell you this much, I'm still very, very excited about our pipeline.



Great. This is a question, another one for you, Christian. Which operator is Europe's biggest customer in Europe.



I think that is quite obvious still and Vice President of



Investor.



Yes. So yes, it's still a kiln red, but by quite a big margin, I would say.



And we will disclose in our annual report as well our 3 largest customs as well, which we do every year. So new numbers will come out soon. Here only for you today, Christian. Do you have any comments on the performance through Super Bowl relatively to last year. And how should you think about the prospects for March Madness?



Yes, I think Super Bowl It was great. I think especially we're very, very pleased with the performance. We had a great offering and perfect uptime. So really, really happy about What we're able to do, especially being able to offer BetBuilders in live and with cash out. So very pleased.



And I hope we have some Good new features for March Madness as well.



Great. When should we expect full 3rd generation rollout across football or football?



Football as in soccer? Executive



Officer. Yes, I think it's okay.



Sometime during the autumn, I hope we are there.



Another one for you, Kristian. Giving lower average player values in Brazil, do you expect less competition in



Brazil. Not really. I mean, Brazil is a massive country. Director. So I would expect the same.



I think one thing that makes it A little bit trickier technically is when you have very low stakes, the cost of taking a bet It becomes a bit of a thing you have to think about. We feel very capable of handling that. But it may be 1 or 2 suppliers or operators that could get into issues with that.



Okay. Thank you very much, Kristian and David. We will be back the 26th April with our Q1 report. And if you have any further questions, feel free to reach out to the IR department, either to myself or my colleague, Chris Stutzman. We are very happy to answer your questions.



So So thank you very much for today, and have a really good day.



Thank you.

