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Kambi Group

Q2 2019



Prepared Remarks

Ladies and gentlemen, welcome to Canviguq Q2 Report 2019. Today, I am pleased to present Christian Lillian, CEO and David Kenyon, CFO. For the first part of this call, all participants will be in a listen only mode and afterwards, there will be a question and answer session. Speakers, please begin.

Good morning, and welcome to Canvys' 2nd quarter results presentation. I am Christian Nylund, Chief Executive, and joining me is our CFO, David Kanyan. Please turn to Slide 2. In a moment, I will give you a brief overview of what was another good quarter for Janvi, after which David will take you through the numbers. I will then speak about the quarter in a little bit more depth, including a new customer signing and market launches.

But first, on Slide 3, let me give you a brief introduction to Canby. Cambi is a premium turnkey sports betting service offered on multiple channels, including web, mobile and retail. Our service is managed from an in house developed platform, which has been continuously developed over the last decade. The platform, together with more than 750 highly skilled staff, forms the foundation of our service. The capital is of multiple elements from front end user interface and open APIs through to orders compiling, customer intelligence and risk management, enabling our customers to offer their players the leading sportsbook experience on the market from day 1.

On to Slide 4. Canvys' business is built upon revenue share model, with our growth linked to our operators' success. The foundation of our service is based on scalability, and the majority of our cost base is fixed. At no additional cost to the operator, KNB continuously invest in products, people and technology to maintain market leadership. We operate an experienced in house trading and risk management team to optimize operating trading margin.

And our business is underpinned by our corporate probability and integrity, and we have successfully obtained all licenses we have applied for. All of this combined enable us to offer operators the flexibility and scalability required to succeed in today's highly regulated and global markets. Our technology has been structured in a way that enables Kambi and its partners to quickly and efficiently comply with a myriad of regulatory requirements, removing a major barrier to the market and allowing the operators to enter new markets as and when they require, with a highly quality with high quality and localized sportsbook. We often hear the frustrations of sportsbook execs that are held back by in house tech, drowning in the rising tide of complex compliance requirements. I would leave mine on the table for others.

The carry operators from these challenges, enabling them to scale at pace across the globe and focus resources on other areas of the business. In total, we power more than 20 operators across 6 continents, including some of the most recognizable and successful brands in the industry. Together, they create a powerful network of operators. This model enables Gambit to, for instance, aggregate and analyze all data produced across the network, which guides and informs our product development, ensuring we maintain market leadership. The network effect also contributes to trading and risk management, with our global coverage feeding into the delivery of sharper and more accurate prices.

We have each and every operator added to a Kabi network where benefits are felt by all and is a major reason why operators have been able to grow individually. Let's look at the quarterly highlights on Slide 5. In Q2, we posted revenues of €21,000,000 a 23% year on year increase. Operator turnover was up 26% at an operator trading margin of 8.2%. We signed a new customer in Bet Warrior, who I will speak about in more detail later, while we also created another market first, processing the 1st legal online wager in Pennsylvania through our partner, Rush Street Interactive.

I will also touch on our activity so far in Q3, which includes being first launched in New York, again, with Rushdie. Now you through the financial highlights. Turning to Slide 6.

In Q2, we had revenue of €21,600,000 up 23% on last year. For the 1st 6 months, revenue was 42,600,000 up by 25%. Operating costs for the quarter were \$19,100,000 giving an operating profit of \$2,500,000 at a margin of 11.7 percent. For the 1st 6 months, operating costs were £37,500,000 dollars and operating profit was \$5,100,000 at 12.1%. Our cash flow for the quarter, excluding working capital, was \$400,000 and the net cash position at the end of June was \$33,100,000 So let's look at the income in some more detail turning to Slide 7.



This slide sets out the Kambi turnover index. The graph shows the results generated by Kambi for its operators. The turnover is the total stakes placed with the operators by their end users. In Q2, we've seen operator turnover up by 26% on Q2 last year, including underlying growth from our existing operators and from new operators in the U. S.



And Sweden in particular. This growth is despite Q2 last year, including the majority of the matches of the 2018 Football World Cup, which added 14% of the turnover in the quarter. In years with no Football World Cup or European Championship, Q2 typically experiences seasonality effect from the culmination of the major European football leagues and certain American sports seasons. As we can see on the graph, the 2019 pattern of a slight dip in Q2 from Q1 repeats what we saw in 2017. The margin represents the combined trading margin made by the operators.



In Q2, this margin was 8.2%. We expect an average long term operator trading margin in the range of 6.5% to 8%. We are continuously monitoring our expectations for this margin. The operator trading margin fluctuates in the short term due to the outcome of sporting events with the highest betting volumes and value. We can see the conversion from operator turnover growth to our revenue growth on Slide 8.



Operator turnover was up by 26% compared to Q2 2018. The operator trading margin multiplied by the turnover generates the operator's gross gaming revenue or GGR. The operator trading margin of 8.2% compares to the 7.8% we saw last year. Overall, this led to an operator GGR increase of 33% year on year. Cambi's commission is based on a percentage of the operator's net gaming revenue or NGR, which is after the deduction of gaming tax and certain marketing incentives.



This tax impact has increased significantly, reflecting the increase in the part of our business coming from locally regulated markets, including Sweden and the U. S. In total, 71% of our revenues came from locally regulated market compared to 48% last year. The impact of certain contract extensions, the fixed part of our revenues and certain volume related commission tiers is shown in the other column of the graph. The conversion from operator NGR growth to our revenue growth in Q2 is 88%.



The net effect of all these factors is that revenue for Q2 2019 is up by 23% on Q2 last year to 21,600,000 euros Let's turn to the full income statement on Slide 9. Operating expenses for the 2nd quarter were \$19,100,000 We continue to invest in building the market leading sports book as well as the ongoing licensing and developments of our commercial operations in the U. S. Looking forward, as we seek to capitalize on the commercial opportunities we see ahead of us, we anticipate sequential growth in operating expenditure of 3% to 5% for the remaining quarters of the year. Operating profit was \$2,500,000 for Q2 compared to \$2,400,000 last year and \$5,100,000 for the first half of the year, up from \$4,400,000 last year.



Costs after tax was \$1,600,000 for the quarter compared to \$1,700,000 last year and \$3,600,000 for the first half, up from \$3,200,000 last year. Now let's look at the cash flow on Slide 10. Set out on this slide are the major components which impacted our cash position during the quarter. Our opening cash balance was €40,800,000 Capitalized development costs in the quarter were 3,900,000 dollars whilst the amortization charge on previously capitalized costs was \$2,400,000 This quarter saw the payments of the annual interest on convertible bond and certain tax payments made for which the company will receive a partial refund later in the year. The net cash outflow for the quarter was €400,000 and our closing cash balance was €40,400,000 So now let me pass you back to Christian.



Turning to Slide



5. Thanks, David. In June, Kjabu signed an agreement with Bet Warrior. Founded and led by POCUSARSD Directors, the management team plans to target regulated markets with Latin America as a major focus. The best way to very much implement the Cambie model.



The operator is in the process of developing a unique front end using the Cambium APIs and will harness the real time data provided by Cambium to deliver personalized experience to their payers. We look forward to launching together at some point this year. Turning to Slide 12. Kapy supported a number of customer launches in Q2, one of which saw us create another little piece of sports betting history. In May, our customer, Rush Street Interactive, took the 1st illegal online wager in the state of Pennsylvania, when its Play SugarHouse brand was first to launch online.



In June, we launched Rush Street's Bat Rivers Online Sportsbook and Greenwood Gaming and Entertainment's Park Casino Sportsbook Online in Pennsylvania. With the 1st non Cambria online sportsbook, having only gone live this week, Cambria launched the 1st free sportsbook in the market, giving them valuable early mover advantage. Being first to the market is no accident. We achieved similar New Year's when DraftKings had a near month long monopoly on the online market. We pride ourselves on our corporate property and our transparency and our close relationships with regulators.



We have also developed flexible technology, which can adapt at speed to different sets of specifications we see from state to state and country to country. This scalability is an essential consideration for operators with international or multistate ambitions and will prove to be a key differentiator as more regulated markets open up. It was Visa's ability to scale operators which recently led us to be working with William Hill, one of the most iconic sports betting brands in the world. Following its acquisition of one of our customers, we were able to assist William Hill's entry into a recently reregulated switch market. Also, as I mentioned in the Q1 report, we plan to launch online in Moldova with the National Lottery of Bulgaria.



I am pleased to say this launch took place in late June with retail to follow before the end of the year. Moving to Slide 13. It has been a particularly busy few weeks for KNB since the end of Q2. Last week, we processed the 1st legal best place in New York with our operator, Rush Street. While it's a shame there is no prospect of online sports betting in the state for at least another year, We are proud to have been the 1st to market on property as Rosh Pit launched with Rivers Casino Resort.



Again, this landmark shows Canby's ability to deliver speed. As I have discussed previously, CAMBIA has proven its retail capabilities time and again over the past year or so, both in terms of rollout and product quality, and I expect more on property launches to take place throughout the rest of the year. We have also extended our contract with Rank Group. Since 2016, we have been providing Rank's U. K.



Facing Grosvenor sports brand with our sports book. I'm pleased that this will continue. And in addition, Canby will also supply rank's Spain facing and Ransha brand, which will be launched later this year. We look forward to building on our relationship with Rank over the course of a contract. Now to Slide 14.



We have seen some positive regulatory developments in the U. S. In the recent months, with a number of states passing bills to launch sports betting. Among those states are Illinois, Iowa, Indiana and Tennessee. In the case of Iowa and Indiana, sports betting could be live by the start of American football season in about 6 weeks.



In both states, online and on property legislation has been passed. Illinois and Tennessee are likely to follow early next year. In Tennessee, there will be no brick and mortar casinos. Therefore, online legislation will not tie operators to land based casinos as we have seen in other states. As mentioned, we are disappointed by the lack of progress for online sports betting in New York and also in Connecticut, but we remain hopeful for both in 2020.



Meanwhile, there have been some positive signs in a number of other states, including California, where in June, a bill was introduced to propose a ballot measure, which could legalize sports betting in the state. California voters could give be given opportunity to amend its constitution and allow sports betting as early as November 2020. Of course, it's still very early days, and we have seen the failed attempts to legalize online poker. But it is promising to see lawmakers in the state beginning to address each issue. Meanwhile, in Buenos Aires City, sports betting regulation has been passed with between 3 10 operator licenses available.



This is in addition to Buenos Aires province, which passed regulation earlier in the year. Together, the 2 provinces make up roughly 40% of the population, a combined market of around 20,000,000 people. Turn to Slide 15. As the number one spot in the U. S, it is perhaps unsurprising that American football is also the most popular sports betters in the U.



S. Over the course of last season, NFL ranked 1st and college football second in terms of turnover, ahead of all other sports and leagues. And according to data from Canbe Network, 9 in 10 U. S. Customers bet on NFL during the season, with approximately half of all new customers making their first bet at football.



In New Jersey alone, more than \$500,000,000 was weighted on football last season, a figure that will only increase this year with more operators and greater visibility. And considering the increased number of states that will be offering sports betting this season, it underlines why a high quality football product will be crucial if operators are to compete. As our performance in New Jersey suggests, Kambi had a leading football product last year. And reached with our experience and valuable data gain throughout last year, we are aiming to raise the bar once again and assure our operators have the number one product on the market. For example, we have been investing in a new trading model for American Football. This will bring us and our partners a number of benefits.



For instance, last season, we saw great appetite for our instant betting markets in the U. S. And the work we are putting into a new trading model will allow us to build on these instant bet buffers and deliver more exciting betting experiences. Secondly, it was noticeable that the industry as a whole struggled slightly with suspension times in play back in last season. While we are among the better performers in this area, there was room for improvement, and our new trading model will enable us to have our markets available for longer and during the most pivotal moments of a game, giving players an even greater experience and our operators longer periods in which to generate turnover.



Turning to Slide 16. So in summary, Q2 was another solid performance from Kemppi with satisfying revenue and turnover growth. We continued our U. S. Expansion with first market launches in Pennsylvania and following the quarter in New York State.



And finally, Kambi offers a market leading sportsbook, which continues to break new ground with our unrivaled speed to market capability in new regulated markets. We were first in New Jersey post PASPA. We have established a leading position in Pennsylvania's retail market and launched the first free online sportsbook together with our partners. And in July, we again were the first in New York. Our product is market leading, and our service is proven to bring our partners financial success.



We firmly believe Kambi is very well positioned for the long term, and I'm confident whatever the future may hold, Kambi will continue to lead the market and empower our operators to realize the rest of their ambitions. Now I'll pass it over to the operator for questions.

Q&A

Our first question is from Bill Adar from Kiel Capital. Please go ahead. Your line is open.

Hi. Do you hear me?

Hi, Milne. I hear you well.

So I have two questions. The first one mainly focusing on, sorry, your business model. And then what we've seen earlier this year is that there's been a desire or a tendency that once operators reach global scale and that they tend to in source their sport. So we'd like to hear your thoughts on that and if you could elaborate on your ability to scale your customers and your ability to sign such global accounts in spite of the desire to insource the product?

Thanks. Yes. First, I've seen a lot of discussions around Wizz Air. And I don't really think that cost is a decision point for any operator deciding to bring sport betting in house. I think it's mainly a belief of company valuation becoming more valuable with Ulm Technology?

Or whether you believe that you have a better possibility to differentiate your product. And for the latter, that is obviously possible if you have strong enough technology. But I think you have seen many cases in many industries where that has not really been the case. You can take Nokia, for instance, in the mobile industry trying to do their own operating system and are not really on the market anymore. So I still believe that even if you become very, very large, The outsourced model is probably the model that will be most viable for most customers in the future as well.

Did that answer your question?

Yes, it did. And then a second question, which relates to the recent regulation in Sweden and what we saw, I think, was in June, was that there was a handful of operators that received a fine for offering bets on games where the athletes were under the age of 18. And we so far, and thankfully, you haven't been fined yet or hopefully won't be fined either in the future. But could you just give us some sort of an overview about your systems and how you were able to mitigate this? And if there's any dialogue that you currently are holding with the regulator and if there's a chance to revise this regulatory flaw.

Yes. I think the last question first. I don't think neither us or the operators have a good chance of having a dialogue with regulators at this point, which is very unfortunate because I think the rules are very unclear. Legal advice is differing very much, and I'm not sure everyone knows or to understand what is happening at the moment. I think why we have been able to not having our operators find so far, we took a quite a cautious approach from the beginning.

And we will keep on doing that. But having said that, I mean, sometimes it's just impossible to know if a majority of participants are underaged. I mean, if you take a friendly in football, for instance, it's not like you have any lineups well in advance of the match. So it may be just afterward that you actually knew that, that was the case. So I think from a regulator's perspective, I think it's very important that we get a better dialogue and much clearer rules because at the moment, it's not really possible to follow be certain that you follow our rules, I would say.

But we do as good as we possibly can. And yes, we have created a lot of systems to track players and understand the wage in especially sports like tennis, of course.



And then just one final question. There's been a lot of discussion in the U. S. About integrity fees and some states that are looking at including that into their regulatory framework. Where does that lead you?



Is that a topic that you need to address or your clients?



Mainly our clients, I would say. For us, it has quite a large impact as well because we need to provide the data. And in many cases, the integrity fees are tied to using official beta. So what can happen is that yes, if you have integrity fees, you may get well to high pricing on official data. So it can have an impact.



But obviously, it's operators who are responsible for integrity fees. But as we are a supplier, it affects us as well to some extent.



Thank you.



And our next question is from Erik Molbe from ABG. Please



Just in regard to the underlying growth, if we exclude for softer World Cup last year, could you give us some flavor on that?



Yes. Hi. I mean, if you stripped out The turnover came from the World Cup. If you take that out, we would have seen 47% operator turnover growth this quarter versus Q2 last year. That was 46% in Q1, so it's a quite consistent number there.



Okay. Fair enough. And in terms of your top line, if you look at customers that have been signed for the previous for the past 12 months, how much of your top line stemmed from those customers?



It's not



a number we split out as such. Of course, in the last 12 months, we signed kind of all the American customers plus ATG, Consumo, various quite a roster of customers there. What I did mention in my when I spoke was that the growth you've seen in operator turnover has come so the 26% turnover growth has come both from the new but also underlying growth in existing. So it's the growth is coming from both parts of the business.



Okay. But if you're looking at these customers, do you expect this to go sequentially improve during H2 now and into next year? How much do you think these customers can grow, so to speak?



Can we give you a number of what we think it includes, of course, since we don't give guidance. But as new customers becomes larger, they will have a higher impact on the future revenues. So the impact of the customers who have signed during the last 12 months will obviously have a larger impact going forward.



Okay. Fair enough. And if we look at corridor in Colombia and National AB in Bulgaria, could you give us some flavor on the development Q on Q and sort of the outlook you see for the remainder of the year? Do you believe those two contracts will continue to accelerate?



Yes. The Colombian ones, they are doing fantastically well. I think Coradora has taken a very, very strong position in Colombia, and that just keeps on growing. So that looks very, very promising. Bulgaria and Australia are also doing well.



And I think that we are very excited on what can have being more or less the only operator licensed to operate swatch betting.



Okay. Fair enough. And just looking at the profitability, like theoretically, if we would sort of just remove AAA and RASK Teams from top line completely for this quarter, would you still be profitable today?



To answer, it's not a way we're looking at it right now. I mean, to start with ATA, there is protection in the contract, which we've talked about before, and a contract which I think they've probably talked about that runs at least into 2021. So yes, it's not really an exercise we're doing. More importantly, we're continuing to invest right now because we see these great opportunities ahead of us in LatAm, in America. So we're more interested in what we can achieve rather than looking at what we might lose in the short term.



But of course, we can reassess that in the future if things change, but right now that's how it happens.



Okay. And in terms of LATAM and Vets you mentioned VetsWar is there, who are acquiring me to become one of the largest player within that on that continent. But sort of in terms of potential in a blue sky scenario, do you think that Bets Warrior has the potential to become a



888? I mean, it's way too early to say. I think the management has a very good vision. So I definitely think we have a good possibility to become market leader in many of the Latin American countries. But it's way too early to say.



I mean you have seen some customers doing fantastically well and some others not so well. So I obviously, we have some belief in them since we actually want to work with them. But it's yes, let's start to make any big judgments on their performance.



Okay. Fair enough. And looking at the U. S, if we would assume in the worst case that you lose your largest U. S.



Client drafting, In terms of 2022, U. S. Revenues as a percentage of total sales, how much do you think that could be? Do you think you could still stay relatively the same? Because if sorry, continue.



My Yes,



I think if you look on the revenues coming from U. S. So far, I'm drafting specifically, I mean, that has been from one relatively small state. So I think even if that were to happen, I expect the U. S.



To grow quite significantly from the numbers we have at the moment.



Okay. I'm just asking because like if we say you wouldn't have DraftKings, could you more easily take on 10% 15 new customers versus if you have Drafken? Because I assume if the SP Tech Drafken actually would fall through, Espitek would probably not let Espitek stores out as B2B Sportsbook in the U. S?



Yes. That's an assumption, and I think it's possibly likely. But with or without Esputec as a competitor, I think we feel that so far, we have been winning a lot of very, very strong deals outside of DraftKings. And I strongly believe that we will continue to be the B2B supplier that will win many of the attractive deals in new states to come.



Got you. And just looking at your pipeline today versus Q3 last year, could you give us some flavor on that? And yes, sort of how long is the pipeline today? Was it 12 months ago?



Yes. I think as I said for a long time, I think it looks very, very good. I think we have a lot of different opportunities going on, and I'm quite excited about the future.



Fair enough. And just looking at the tribal casinos in the U. S, if you look at that particular niche, so to speak, are there any particular actors out there that you find particularly interesting to close the deal with?



Yes. The larger, the most interesting, of course, I don't really want to mention anyone's, but I talked a little bit about California, and that is by far the largest state in the U. S. It's, I think, roughly 30%, 45% of the total GDP of U. S.



So even though it's more than a year away, that's in best case. Obviously, I think both us and our competition is already looking at California.



Yes. And just hypothetically, if we would say that, say, 5 states opening up New York, California, Michigan and then 2 additional states, would you expect to win deals there as of today? Is it worth opening up today?



Yes. That's why we're in this business.



Okay. Fair enough. And shifting focus to Pennsylvania, it's very difficult sort of to understand the potential both in terms of the overall market size and also in terms of your clients' potential there. But sort of do you expect Pennsylvania to contribute, say, 10%, 20%, 30% or even 60% of New Jersey this year? Or how should we sort of model Pennsylvania?



I mean, I don't see any reason for Pennsylvania to be a smaller contributor, talking GGR than New Jersey. I mean, it's almost twice as many people. Of course, that's offset on a much higher tax rate. But I have a hard time to see Pennsylvania long term not being a larger market than ERC.



Okay. Fair enough. That's all for me. Thank you very much, guys.



Thank you.



And our next question is from Jelmar Alberg from Kepler Cheuvreux. Please go ahead. Your line is open.



Thank you. Just the first question about I mean, you mentioned I1, Indiana going live in time of NFL this year. Do you think you will be able to have anything lost for your clients there for the NFL as well?



We hope so.



But as we haven't communicated anything yet, nothing is clear. So I can't give you more than that.



Yes, yes. Okay. And a question on New York. You're up and running there now at the casino. Do you think I mean, if you want to guesstimate on the potential from an individual casino there, do you think it's fair to compare maybe with Pennsylvania and the casinos over there?



What's in terms of I mean the revenue potential for a single these casinos could be in New York?



No, no, no. I think the Pennsylvania casinos, they are located in Pittsburgh and Philadelphia, whereas the New York casinos, all of them are located upstate in, yes, not so easy accessible places. So I wouldn't compare them at all to each other.



Okay. That's all for me. Thanks.



Thank you.



And our next question is from Victor Hargrei from Deutsche Bank. Please go ahead. Your line is open.



Hi, good morning. I just have a question on Apple's new guidelines for apps gambling apps that need to be native iOS. Could you say something about that, if that will have an effect? Or if it's up to you or your operator, if you have anything to do with the operators to be compliant with the new guidelines to be able to have that up around the flight to 10?



Well, at the moment, it's not really on us. But having said that, I think we have a new rule, so we may look into producing more of our client in native for the future. But I mean, at the moment, we have a new guidelines. Rush Street recently got their app approved in Pennsylvania after some extra work with on the geolocation. So at the moment, it seems like it's still possible to utilize the HML5 technology in that.



But I think we are, yes, continuously investigating this, and we are continuously in discussions with our operators about the future here.



Would you say you're worried? Or are your clients worried about this? Or is the 3rd party geolocation like workaround, is that solving the problem fully or



I mean, you always have to be worried when you're dealing with a company who has, yes, such a large market share and can change roles overnight. So obviously, you have to look at the picture and how to adapt to it. But I don't think I think we are still fine for near future.



Okay. And for the OpEx growth guidance, 3% to 5%, that's a lower number than for Q2. And I actually expect you to continue with that guidance. Has something changed? What do you see?



Because at your Capital Markets Day this spring, got the feeling that you will keep continue investing in the U. S. With the implication of high office growth for the full remainder of this year. Has something changed in your investment outlook? Or was this a panel on?



No, not really. I think the underlying assumptions haven't changed since far as we keep investing in our staff for technology to keep increasing our output and as well as and in the U. S. To support our commercial operations there. I guess what has changed is actually just the number and speed of certain states regulating and also the fact that actually in some states, it's actually going to be slightly lighter touch application and therefore, by implication, slightly lower cost for us.



So if you look at fleet amplifier, where we don't need to apply for a full license of that supplier, this one, and that's one that's coming up in this current quarter. So it's really just a slight flexing down on that cost outlook rather than an underlying change at this stage.



Okay. So does it reflect that you're disappointed in the rate of regulations in the U. S. As well or



Not really. It was always kind of hard to estimate upfront exactly which states would regulate when actually. We're quite pleased that some are coming, as we predicted, in line with the NFL season if you look at Iowa, Indiana. And then there are others which are following on fairly close behind and could fall into Q4, could fall into Q1. But it seems to be happening almost as fast as we thought.



So yes.



Okay. Last question. Sorry if you already talked about this, but the standard that the revised contract with them, could you talk a bit about that on the supplying online? To my understanding, retail is quite a large market there



as well.



Yes, that's correct. I think when we started to look on what we had promised to deliver and what Stalibat expected from us, it was kind of a big discrepancy where we couldn't really agree on how to do it. And therefore, I think both parties felt that it was better to drop the retail part for now. Okay. Well, thank you.



Our next question is from Christian Hellman from Nordea. Please go ahead. Your line is open.



Hi, thanks. Most of



my questions have already been answered, but



I have one that I'd like to get some color on, and that's Sweden. If you could just give us your thoughts on the Swedish market now post regulation, incumbents versus the private operators and just sort of versus your own expectations before the regulation, how it's developed and how is this going forward in terms of sports betting obviously?



I think for us, except what I touched before, we were under 18 regulations. I think for us, it has been very positive experience so far with the Swedish regulation. I think our largest customers are doing quite fine. Bringing ATG into the market has been very, very good. So for us, I would say, we are quite pleased with the exception of the uncertainty around the whole unrating issue.



And our next question is from Anton West from Perissa Securities. Please go ahead. Your line is open.



Hi. I have just one question here. It's about the sportsbooks margin. We have seen in the late last 8 quarters that we have had a sports book margin over 7.5%. Is it improved data tools behind the high level?



Not so much. I think, yes, to some extent, obviously, we improve the tools and algorithms all the time. But I think it has had more to do with a change in behavior on our customer base that yes, for instance, if you take in Colombia, we have massively higher margin because they are mainly betting on more accumulators. You see the BetBuilder product that we launched, it's also quite a high margin product. So you see some things.



And I have been talking about this for a few quarters that we are continuously looking at the margin. What we have still are believing is that the U. S. Market will have a lower margin. I think that is the main reason we haven't changed the guidelines yet.



And speaking about the U. S, do you think that the markets which is going to high tax on sports, for example, Pennsylvania, that they will operate with higher sports betting margin to offset the tax?



No. No, I don't think so. I mean, as long as you have a tax on gross wind, I think you're well better off having a competitive product because in the end, most customers are spending the same amount of money across a month. So if you take out a higher hold, they just spend less money.



Great. And can you also give us some more details around the sequential turnover growth in Europe?



Yes. I think what we have seen over the years, and I mean, you get some bumps here and there because of new regulations and things like that. But the sequential growth of sports betting in Europe, I would believe, will stay around high single digits for online for next coming years, some up and downs because of large football tournaments.



Great. And also, you mentioned some states in the report, Illinois, Iowa, Indiana and Tennessee, regarding the potential size compared to New Jersey, for example. Also, you're seeing there, you mentioned Pennsylvania, did you see as big as New Jersey, but the other states?



Yes, I think, yes, obviously, Iowa is quite a small state. Indiana, decently sized, not as not close to Pennsylvania, of course, but decently sized state. Illinois, I think, is the 4th largest state in the U. S. So obviously, that is could be highly attractive.



Tennessee, yes, quite a small state. So I think what's most interesting with Tennessee is actually that the regulation is not tied to retail. So it's more European model than in other states. So that's exciting.



Yes. About rule of thumb, is it like we can say that Indiana half the size of New Jersey, Tennessee the same and then Illinois bigger than New York City?



Yes. I mean Illinois should be one of the largest states that can open up. Yes.



Great. That was all for me. Thank you.



Thank you.



As there are no further questions, I will hand the word back to the speakers for any final comments.



Okay. Thank you for your questions and for listening in. We look forward to updating you on the 25th October when we publish our Q3 results for 2019.

