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Kambi Group

Q2 2018



Prepared Remarks



Good morning, and welcome to Canby's Second Quarter Results Presentation. I am Christian Neillen, Chief Executive, and joining me is our CFO, David Kanyin. Please turn to Slide 2. In a moment, I will give you a brief overview of what was a busy second quarter, after which David will take you through the numbers. I will then speak about the quarter in a little bit more depth, including our preparations for the U.



S. Market and the FIFA World Cup. But first, on Slide 3, let me give you a brief introduction to Canby. Cambi is a premium turnkeys washletting service offered on multiple channels such as web, mobile and retail terminals. Our service is managed from an in house developed platform, which has been continuously developed over the last decade.



The platform, together with our 650 highly skilled staff, forms a foundation of our service. The Canvas Boardwalk consists of multiple elements from front end user interface through to OS compiling, customer intelligence, risk management and customer empowerment capabilities, enabling our customers to offer their players the leading sportsbook experience on the market. On to Slide 4. Canvys' business is built around the revenue share model, with our growth dependent on our operator success. The foundation of our strategy is based on scalability, and the majority of our cost base is fixed.



At no additional cost to the operator, can we continuously invest in product, people and technology to maintain market leadership. We also operate an experienced in house trading and risk management team to optimize operator trading margin. While our business is underpinned by our corporate probability and integrity, We are publicly listed, have successfully obtained all licenses at Dijkfors and continue to avoid markets which prohibits Orstedting. We now power 21 operators, including some of the most recognizable and successful brands in the industry. Let's look at the quarterly highlights on Slide 5.



The second quarter was a strong one for Janbu. We posted revenues of EUR 17,600,000, a 25% year on year increase. Operating trading margin for the quarter was 7.8%, a figure above our long term expected average. We added 3 new customers during the quarter, Following the full repeal of a federal sports betting ban in the U. S.



In May, we signed U. S. Operators Rush Street Gaming and Draftings. I will give more detail on them later. In addition, we also added Romanian operator, Stalibet, Romania, at the beginning of the quarter.



Shortly after Q2, we signed ATG and Latvian Lottum as well as extended our partnerships with Kindred and Midi Green. More on this later. I will now hand over to David Kenyon, who will talk you through the financial highlights. Turning to Slide 6.



Thank you, Christian. Good morning, everyone. In Q2, we had revenue of €17,600,000 an increase of 25% from last year. Operating costs were £15,200,000 giving an operating profit for the quarter of £2,400,000 dollars Our cash flow for the quarter, excluding working capital movements, was \$1,900,000 and our net cash position at the end of June was 27,900,000 dollars Let's look at the income in some more detail turning to Slide 7. This slide sets up what we call the Canby Turnover Index.



The graph shows the trends of the results generated by Canby for its operators. The turnover is the total stakes placed with the operators by their end users on Cambie's sports betting service. In Q2, we've seen turnover placed with our operators, up 11% on Q2 last year. The level of operator turnover was suppressed to some extent by the much stronger operator trading margin in Q2 this year due to the correlation between these two metrics. It increased from 6.3% to 7.8% year on year.



Some of the major football leagues also finished earlier than last year due to the World Cup, which had some impact on the operated turnover this year. It's in the nature of the business for the operator trading margin to fluctuate between quarters depending on the results of sporting events. In recent quarters, we've seen some subtle changes in this area, which increased the margins and to some extent the volatility. Notably, the addition of new player segments from new customer signings, more betting on mobile a move towards betting on higher margin products such as instant betting. As a result, we're changing our guidance for the expected long term average for the operated trading margin to 6.5% to 8%.



We can see the conversion from operator turnover growth to our revenue growth on Slide 8. Operator turnover increased by 11% compared to Q2 2017. The operator trading margin multiplied by the turnover generates the operator's gross gaming revenue. The operator trading margin of 7.8% was well ahead of Q2 last year, leading to an overall operator GGR increase of 36% year on year. Canby's commission is based on a percentage of the operator's NGR.



In the last 12 months, we have extended contracts with many of our largest operators for the long term, representing over 90% of our existing revenue base. They've all grown significantly since the original contract signing, and the terms of the renewals generally reflect this growth. None is in its own right material, but in aggregate, this has had an impact on our revenue conversion. This, along with the fixed parts of our revenues, is shown in the other column of the graph. Additionally, in Q2 last year, we settled a contingent asset, which resulted in a one off income of \$300,000 This is also reflected in the other column.



The net effect of all these factors is that revenue for Q2 2018 is up by 25% on Q2 last year to \$17,600,000 Let's turn to the income statement on Slide 9. Operating expenses for the Q2 were \$15,200,000 Operating expenses are forecast to increase in Q3 by 5% to 7% compared to Q2, as we continue to invest in the future to ensure we maintain our market leadership. Additionally, there are increased costs for our regulatory and commercial efforts in the U. S. And non cash accounting charges for our share option schemes.



Overall, in Q2, profit from operations is \$2,400,000 compared to \$300,000 last year, and profit after tax is \$1,700,000 compared to \$100,000 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 on the 1st April was €36,300,000 Working capital decreased in the quarter by €2,400,000 reflecting an increase in trade debtors as revenues increased at the end of the quarter due to the World Cup. Capitalized development costs in the quarter were \$2,400,000 whilst the amortization charge on previously capitalized costs was \$2,100,000 The net cash outflow for the quarter was 700,000 and our closing cash balance was €35,400,000 Now let me pass you back to Christian, turning to Slide 11.



Thanks, David. As I touched on earlier, on May 14, the U. S. Supreme Court fully appealed the federal sports weighting ban. This has generated an attractive business opportunity for Kiambi.



Since this decision, we have signed 2 major U. S. Customers. We have applied for licenses in New York and Mississippi and are in the process for New York, Pennsylvania and West Virginia. We will also conduct U.



S. Investor roadshow next week. However, it's worth noting that the U. S. Supreme Court did not legalize the sports wagering.



It only passed the responsibility down to the state level. While some states have moved quickly towards regulated sports betting, others will take more considerable approach. Estimates put the number of states likely to be regulated by 2023 between 25-42 states. With this in mind, Canbi's U. S.



Business would be viewed should be viewed in the mid- to long term. It's also worth considering that the retail establishment will hold the key to gaining access to the sports betting market, as I will explain on Slide 12. I will now focus on 2 of the largest states in the U. S, which will soon launch sports wagering. In Pennsylvania, sports betting can only be offered through an exclusive agreement with a land based casino.



After a state regulator limited the number of sports betting licenses, a casino can have to just one, making market entry all the more difficult. However, Cambria will gain entry to the market through its recent deal with Rush Street Gaming, which owns 2 of the state's 12 casinos. Due to revenue tax of 36% and hefty operating licensing fees, no operators yet applied for sports betting license, but we expect this to change in the near future. Meanwhile, current legislation in New York, which is currently limited to retail only, will cap the number of operators, which can offer sports betting to just 4 commercial land based casinos. Of those 4 casinos, one is owned by Rush Street Gaming, while another has a deal in place with DraftKings.



Potentially, handing can be 50% of a regulated market. With many adverse post betting operators and suppliers likely to be locked out. In both instances, land based operators are an essential route to the market for all sports betting operators and suppliers, and we expect this reliance to continue as more states prepare for regulation. Moving on to Slide 13. Following the repeal of Buzzspr, Cambys signed its 1st U.



S. Customer, Rush Street Gaming. Rush Street operates 1 of the fastest growing online casinos in New Jersey as well as brick and mortar casinos in 3 key states: Pennsylvania, New York and Illinois, which, as I explained, will prove crucial to gaining healthy access to sports betting market. Rush Street also has international brands and has already launched a Colombia facing sports book with Champion. Turning to Slide 14.



In June, Kempis signed a deal with DraftKings, one of the most recognizable brands in the U. S. DraftKings is the largest daily fantasy sports operator in the U. S. With a database of around 10,000,000 customers.



DraftKings is on track to launch its online sportsbook in New Jersey in Q3, with our state also on the agenda. It recently agreed a deal with the Lago Casino in New York for 1 of the 4 available sports betting licenses. On to Slide 15. At the start of June, Canby launched 3 customers into 3 different jurisdictions within the space of just a few days. This was a great team effort and ensured all customers were up and running in time through World Cup.



With Sun International, we launched in South Africa for the first time, while Standby Bet Romania and Rush Street Interactive went live in Romania and Colombia, respectively, both taking bets within weeks of signing the campaign. And now on to Slide 16. Our commercial momentum has continued into Q3. Cambria has already signed deals with ATG and Latvian Lotbu, both significant customers for different reasons. ATG is a major customer wheel for Cambria.



As a monopoly operator, it's one of the most recognizable brands in the Swedish market. We have a large customer base, both retail and online. So I look forward to adding a Canby sportsbook to its shopping and horse racing products when the market regulates in Q1 2019. We also signed our 1st state owned delivery operator in Latvia and Lotte As well as the immediate benefits of launching with Latvian Lotto, we believe a deal will act as a good proof point when pitching for our state lotteries in the future. These two deals mean Cambria has now signed 8 customers in the last 12 months, with 3 customers signing in Q2 alone, a quarterly record for Cambria.



This is a great achievement and shows the relevance of our business model. In addition, we have also agreed long term contract extensions with Kindred Group and Misty Green. The Kindred deal gives KNOB long term stability and a strong platform to build from. I look forward to continuing the successful partnership we have enjoyed over the years. We also signed an extended deal with Mr.



Green, which will see its recently acquired Red Dead move to its current supplier from its current supplier through the Canby platform. As a result of this renewal, Canby has over the last 12 months extended deals with key customers, securing more than 90% of existing revenues for the long term. Now to Slide 17. Another major event in Q2 was the World Cup. The tournament proved to be a huge success for Kambi and our operators with turnover, revenues and active payers reaching all time highs.



Despite the increased load on our systems, there was no negative impact on our service, while our work in developing new markets, such as space specials and extended extra time offer and the new penalty shoot out model paid dividends. For instance, of all matches that went to extra time, those additional 30 minutes generated 37% of the match turnover, reflecting our market leading extra time offer. And as you can see from a chart at the right, it wasn't just in pay where we were leading. As our vast pre match offer found to be most extensive on the market, with plenty of daylight between us and the second place. Turning to Slide 18.



So to recap, the second quarter has been very positive for Janby in many respects. Firstly, we grew revenues by 25% following a successful Wolfcamp and new launches. We also continued our commercial momentum with major capital wins in both U. S. And Sweden, while we also secured our 1st state lottery operator.



And reflecting our high quality product, we signed an extended deal to Kindred and Vitigreen, which will soon migrate its Red Belt brand to Ekambus Portugal. Thank you.

Q&A



And our first question comes from the line of Victor Hubergh from Pareto Securities. Please go ahead. Your line is now open.



Hi, good morning. So maybe we could start off with the margins and the sportsbook turnover in Q2. Even Kjell said as well that the strong margins in Q3, Q4, Q1 and Q2 Q2 affected the sportsbook turnover. Are you worried about this? Could you maybe adjust your odds maybe to put some money back into the operators' accounts?



Or what is your strategy for this to not have a long term effect?



Victor, no, I think the strong margin, that is more because of the results, and I don't think we should adjust the paybacks before. But as you may remember, we had a capital cap quarters in the beginning of last year. So I think that's more a coincidence than anything else. And I think the big part here is not that the turnover isn't strong this quarter. It's rather that it was exceptionally strong a year ago when the margin was so low.



Okay. Thank you. So could you maybe shed some light on the Q2 and the work up over your client base and over geographies. Was the growth broad based? Or could you say something about that?



Yes. Of course, the World Cup in soccer is more or less a global thing. There are regions where it's less important. For instance, in Finland, I think ISOC is much more important than the football. But yes, normally, you can say that it's yes, very broad World Cup is very important in most markets.



It will probably change slightly when we start operating in the U. S. Though.



Okay. So you don't have any clients that have been doing badly during the quarter? Q1 was pretty decent, I guess.



I can't comment on individual customers. But of course, there are differences between the different customers. Some is doing better than others.



Okay. So regarding the OpEx growth, you have guided 4% or 5% to 7% in Q3 over Q2. But what about 2019 2020? I saw just on an interview with you where you said it might be a couple of extra percentage points to add to the OpEx growth base, I guess, in 2019 2020. Could you elaborate on that?



What was to be expected, closer to 10% in 2019 or closer to 15%? Or



Yes. Victor, it's David. It's probably I mean, it's a little bit hard for the number on it today, given the situation in the U. S, where we're not exactly sure on what the kind of rollouts on regulations is going to be. And indeed, what that means in every single state for us, we need to look at that on a state by state basis.



So that will impact it to some degree. I think we've increased the percentage points for next quarter, probably up a couple of percent from where we've previously been guiding. And really that is driven by that initial kind of extra efforts we're making on commercial and regulatory in the U. S. So I'd say almost we need to kind of keep watching the guidance that we make for the short term, and that will probably help with a slightly longer term view on to see what the different states are actually requiring of this.



Does that make sense?



Yes, sure. A lot of moving parts. So could you say something about a possible effect on you guys from the Italy maybe or potentially banning advertising from the middle of next year? Will that affect your revenue base somewhat?



I would sure hope so. I guess sorry, did I misunderstood the question? Can you repeat the question?



Yes. Italy is potentially banning advertising for the middle of next year. Would it have any negative effects on you?



Yes, exactly. So I surely don't hope so. No, but it may have some effect on us as well, of course. But Italy is not a very large market for Cambria at the moment, so it should have a limited effect on Cambria.



Okay. And regarding you, the sports book margins ahead, you revised it upwards, the range from 6.5% to up to 8%. From when do you expect that to be relevant? Is it already now or in a year from now? Or



No. It was like I communicated already in the last couple of quarters that we see some trends. And finally, we added that to the guidance as well. So we expect, yes, that from now, and I would say that you have already seen effect of it as well.



Okay. So it's already there. So regarding the U. S. And the operations that you are building out there at the moment, How much do you think, given current outlooks, will you be able to scale your presence there with from between the two clients that you have already and potentially further clients, all else being equal.



Do you think would you have to add as much costs and presence from a third client? Or would it be really minimal incremental costs?



Yes. I mean, I think the cost is based on entering the U. S. Market. Then it doesn't really matter if it's 1 customer or 10 customers who we're entering with as long as yes, if the first customer was entering Allstate, that is, of course.



So I mean, the cost will primarily be driven by regulatory demands in form of costs for licensing and the costs for operating under new licenses. Specifically, we would probably have to have servers located within each and every state. We will also probably we will also expand our U. S. Offering.



But again, it doesn't matter if it's 1 customer, we get 10 customers.



Okay. Then one last question for me at the moment. Regarding Pennsylvania, no operator has applied for a sports betting license due to the tax rates. But you said you hope this to change soon. Have you heard anything?



Or have you seen anything? Or what do you why do you expect it to change?



It's very early, still. So I would expect players to enter in Pennsylvania as well. I mean, you can compare it to France, even if it is a heavy tax burden. You want to have a position in a large state like Pennsylvania.



Okay. But do you expect it to do you have a known projection of when it would be a relevant market for you guys, What year?



Yes. I would expect it to happen something during this year.



Okay. Okay. Thank you.



Thank you.



Thank you. Our next question comes from the line of Shari Shasid from Danske Bank. Please go ahead. Your line is now open.



Thank you, operator. I do have a couple of questions. I'll start off with the Mr. Green client. Obviously, you did an extension of the contract.



Just a comment on the Mr. Green Slas acquisition. Are you will you be the sportsbook supplier of their latest acquisition as well?



If you're referring to Red Bet, we will. And yes, as I said before, we're very happy about that. We they have decided to migrate the Red Dot customers over to the Canva platform as well.



And when can we expect that to commence?



That's a question for Mr. Mr. Green really, but I would expect that to happen during autumn.



Well, so would you Okay. The next question is on your largest client, Kindred, and their expansion into the U. S. Market. Any comments on whether you'll be the supplier there as well?



I would expect to, yes.





Okay. And when do you expect that to commence as well?



Yes. No, I mean, that's a question from Kindred. I can't speak about their business.



All right. And then just looking into the U. S. Signing of Rush. They have seen us in 5 states.



Well, are you expecting those to go enter other space besides one where they have license today? And just looking at Russia as a client, is there potential for them to, yes, double their size on sports revenues or 3x the size?



First of all, they have casinos in physical casinos in 3 states, that's what they do online in New York. It's really hard for me to sit and answer questions about operators. Even if I knew something, it would be not in their interest for me to sit and answer questions about the Australia public. So I can't do that unfortunately. Yes.



I guess you must have some kind of, I'd say, some kind of expectations given the fact that they, in fact, are your clients?



Yes, we do, but I can't comment on it.



Well, that's another case. All right. And then just lastly, on the U. S. Pipeline for Canby, is it more prospering post those signings?



What about more client contacts? Any comments on that?



So we have a commercial representation over there.



So yes, they're in



the process of building out networks and making contact. So yes, best efforts over there.



Okay. Thank you.



Thank you. Our next question comes from the line of David Maslinski from Redeye. Please go ahead. Your line is now open.





Thank you. Congratulations on the deal with ATG and DraftKings. And my first question is actually about DraftKings. They're obviously big in daily fantasy sports. Can you give us some your idea of the conversion between daily fantasy sports and sports betting, even though the U.



S. Is a unique situation with sports betting being basically banned all over the country. But what's your view on that? Is it easy to convert? Do you assume that basically any player that's in a daily country player will convert into a sports betting player?



Or how do you view that? Are there any examples we can draw with them from and so on?



Unfortunately, I don't think there are any good examples to draw any conclusions from. But in my opinion, a lot of the yes, daily fantasy, it's very similar customer base to a large extent. I think the conversion should be very high. And for many, I would guess that the fantasy has been substitute to fixed or sweating because it was not available.



Okay. And if you could give us a bit more flavor on the margin going up, the long term margin, as you expected, to be 8%, up from 6.5%. What are the trends leading to that change?



Yes. Well, actually, I mean, what we have widened the span a little bit. So I mean, what we see and believe at the moment is that the margin will roughly expect to be 0.5 percentage higher long term than we have guided on before. And yes, it is the thing Dave was talking about earlier here, higher conversion to mobile, more especially new player segments coming in from some of our new customers and also more of a best place on higher margin products than before. So it's not anything we have done in terms of lowering our paybacks or anything like that.



It's more of the players and how they use the product that has changed slightly.



Okay. So basically, it sounds to me like it all sums up to more leisure players joining your player base basically?



You can play that, yes.



Yes. And you think that's also for the profit level? This is the optimal sort of payback ratio that you think is the best going forward?



We're always revising that. But I mean, if you look on World Cup, for instance, can be offered very, very competitive paybacks on the main markets. So I don't see any reason for us to increase the paybacks at any point. Having said that, I mean, we have given our operators the opportunity to differentiate the



Yes



Yes, of course. Okay. So just a final question. Who was the former supplier to Mr. Green's Red Bet acquisition?



So that was SP Tech. So I mean, obviously, we are very happy to for Mitti Green to choose us as their supplier for both brands. And yes, we're very, very happy about that.



Okay. I understand. Okay. Thank you very much. That's all for me.



Thank you.



Thank you. Our next question comes from the line of Christian Hellmann from Nordea. Please go ahead. Your line is now open.



Hi, thanks. A question on the cost guidance that you mentioned before, 5% to 7% in Q2 or sorry, in Q3 over Q2. Is that including investments in the U. S? Or is that the reason why you're revising the cost range?



Or how should we look upon that?



Yes. That's one of the main drivers. That's probably one of the one which is noncash charge related to share options. But I'd say the most the other big one is the U. S.



And there is really kind of advisory fees and all the costs associated with our applications for the various licenses that we have started in Q2, but we'll carry on at full speed in Q3. And also kind of the commercial efforts we're making over there.



Okay. And for Q4, I mean, and also moving forward into 2019, we touched upon it a bit earlier, but I'd like to get some more clarification on it, if it's I mean, are you perhaps planning on setting up an office in the U. S. To increase sequentially over the next couple of 3, 4 quarters? I mean, are you perhaps planning on setting up an office in the U.



S. Somewhere? Or how should we look upon it?



I think at this stage, it's we need to wait and see a little bit what the regulations dictates in terms of what we need to have in states in the given places. We're in the process this calendar year, it's probably 5 states that we're looking at. So really any cost growth or increase is going to be dependent on how what the rollout of future states is after that. But that's the kind of speed we're running at this year, which is only all the available licenses.



Yes. Another question on the growth in the quarter. You posted 25% growth. And you also mentioned that, I think, 19% growth came from the World Cup. So I guess that means that the underlying revenue growth in the quarter was 6%.



Can you comment a bit on that? Sort of is that representative of sort of the market growth? Or do you have any comments on sort of the underlying growth, excluding World Cup, just stealing?



I wouldn't say, first of all, but I mean, if you wouldn't have had a World Cup, a big chunk of this 19% would have been placed on other things. As an example, for instance, tennis has been much, much lower turnover this quarter than it was last year because of the World Cup. The the Panthers are switching interest from other things into World Cup.



Yes. That makes sense, obviously. But can you give us some indication of sort of the underlying market growth for sports betting in Europe at the moment? Is it 10 percent or 15% or just sort of rough?



The H2 Gaming Capital, I think, is the best estimate I have on the total market.



Yes. Okay. And then just on the customer pipeline, if you can sort of previously, you've commented on the pipeline as sort of being the best ever in those sort of wordings 1 or 2 quarters ago? And since then, you've obviously you've churned the pipeline a bit with Randkinks and ATG. But what would be your description of the pipeline at the moment?



Yes. Maybe not as good as it was a quarter ago, but still very good. I think more and more is opening up. And I mean, yes, the U. S.



Is obviously a very, very interesting market for us at the moment.



Yes. Final question, just on Liovigas. I mean, there were some comments previously on the fact that you're taking over Redbet from SP Tech. But I just noticed that Liovigas, their acquisition of Rocket X, which includes betuk.com, they recently partnered up with SP Tech. So I'm just wondering why you're not doing the sports betting for Rocktex, which was acquired by Leovigas?



Yes. I can't really comment on that at the moment because it was news for me as well. So I sorry, I can't comment on it.



Okay. Okay. That was it for me. Thanks.



Thank



you.



Thank you. Our next question comes from the line of Erik Molbach from ABG. Please go ahead. Your line is now open.



Hi. In regards to your recent signings outside of the U. S, such as Stanley Bett Romania, Sun International and Corador, Could you give us some flavor regarding market share potential and what kind of impact they could have on 2021 2022 revenue?



Yes. I can give you some flavor. We usually don't talk figures. But I think especially corridor, I think there has been some official data that the Colombia's market is growing very fast. And I think as I communicated before, we strongly believe that corridor has a very, very good potential of becoming a market leader in that market eventually.



I don't think we are there at the moment, but I think we are in a good way to get there. When it comes to Stanley, but I think I don't expect a huge amount of revenues coming from Stanley, but up until we go live, we retail in, yes, roughly a year's time from now. Sunbelt or Sun International, they had an existing sports book before, so that should be an immediate impact on revenues from them.



Okay. That's great flavor. In regard to Sun International, from from what I understand, you only get contribution from Sunbet right now, which is their online offering. But what's the status for the rollout of their retail product?





Yes. I don't think at the moment we are doing very much on the retail, but I know we are interested in operating a larger chunk on retail as well. Also, they are looking into they are owning casinos in a few countries in South America. So I also expect them to start operating there at some point.



Thank you. Our next question comes from the line of Richard Wiederberg, Private Investor. Please go ahead. Your line is open.



Hi, good morning.



Good morning.



So we had some previous questions about postpaid margin and here's another one. So you have mentioned some reasons why it'd go up, but I would assume it would go down, can trend towards more live betting, I. E, more singles and less combination, but also the trend in the market with higher payback? Do you have any comment on that?



Yes. I mean, that has been a trend over a long time. But I think at the moment, the trend is actually that live betting is not growing faster than pretty much for us at least at the moment. I mean, and this is, yes, probably the first time in many, many years that, that is the case. I think when it comes to paybacks, that has been very stable over the last, yes, 2 years at least.



It may change again. But at the moment, I don't really see a pressure in us having to sit to raise any payback. So I think we are on very competitive levels at the moment.



Okay. Second question. The improved margin, have you any reason to guide maybe some best categorization and limiting sharp players? So



I don't think we have changed our way of working with players in the last 7 or 8 years. Maybe we are becoming even better at it, but there is new policies in place for a long, long time.



Thank you. Our next question comes from the line of Victor Hoeberg from Pareto Securities. Please go ahead. Your line is now open.



Hi, again. Yes, I'd just like to talk a bit about the start of Q3. You don't guide for that, but Kindred said their revenues was up 30% year over year in FX adjusted, of course, that's not fully comparable due to France and some other aspects as well. But could you talk about the start to Q3 with the matches the 1st 2 weeks in the World Cup?



Yes. I will not comment in But in general, I can say, obviously, the beginning of July, you have much, much higher turnover than we had last year due to the fact that you have some of the most interesting matches left in World Cup in the beginning of the month. So that has an impact on the early start of the quarter. The results, yes, it was a few good draws in the playoffs, so that obviously have a good impact. But as you can imagine, France winning the final was probably not the best result we could imagine.



So it was some good and some bad news. It looked bad result in the beginning of Q3 on World Cup. But all in all, I would say that you should expect the turnover for the first half month of July to be much higher than it was last year.



Yes, of course. And then to maybe fade out during the Q1 or at least until the September. So could you talk a bit about more about competition? I noticed that Petite signing some nice clients in the U. S.



Have they took clients in front of your noses? Or were you not in the talks? Or should we talk about competition in general?



Yes. I mean competition is fierce nowadays. We will for sure not win our customers. Obviously, some of the customers at Espitec has been winning. We were also in talks with the same as they were showing in the talks with both DraftKings and Rush Street Gaming as well.



So I mean that's how it is. Actually, I think it's positive or negative that we have a good competitor nowadays. And I think the market is definitely large enough for both of us. But so far, I'm very pleased that we have been able to win our top targets



so far. Do you see any competition from American companies?



Yes. I think so far what we have seen, the competition has been IGT has been successful on winning deals. I think Scientific Games will probably also be a big player there. And then I think you will see a lot of deals that is more based on JVs with or white label where I see companies like William Hill and battery power and better also being successful.



Okay. And just one last question regarding the U. S. And the sports betting margin. I guess you've thought about the U.



S. Market as well when you up the range to 8%? Or what do you see in general for the U. S. Population?



When they're betting, what do we expect in terms of paybacks? And as such, with a nice growth in the U. S, would that skew the expected range upwards or downwards?



It's really hard to say. I mean, if you look on the existing betting that is going on in Las Vegas at the moment, They are more in the range of 5% hold on their betting at the moment. But I would expect the Vegas betting to be much sharper in average than it will be when the U. S. Is opening up in other states.



But it's hard to say at the moment what the margin will be in the U. S. And yes, when U. S. Becomes a significant part of our business, we may adjust the expected range again.



Thank you. Our next question comes from the line of Rasmus Enge from Handelsbanken. Please go ahead. Your line is open.



Yes. Hi. I was wondering first if you could help us with some guidance for the tax rate, perhaps this year and next year? What should we sort of think in terms of taxes? Yes.



I mean, the underlying corporate tax rate is going to be around kind of the 17% mark. There was a one off annual withholding tax we saw this quarter that kind skewed the numbers slightly this quarter. It's around €300,000 of that €700,000 on the P and L, but underlying corporation tax around 17%. Right. Thanks.



And then secondly on relating to taxes actually, but this VAT thing in Belgium, that is now removed. I guess, could we see a situation where the tax impact in your sort of waterfall picture on revenue conversion that, that is a positive. Is that what's going to happen or when



Yes. There was actually still some kind of legacy effect. The VAT lasted through to I think it was the end of May. So I think in Q3, that should be slightly yes, it should be slightly more positive on that waterfall. And of course, it's we in that waterfall, we combine it with the marketing.



So it's kind of it depends on that level of marketing spend. But overall, it should be slightly better Q3 onwards.



And it's, for us, very, very difficult to grasp thing, which is called other volume related commissions. Is it possible to say anything about that? Is there a peak quarter and a trough quarter in that figure? Or where should we think about it for sort of Q3, Q4?



Yes. It's a good question. There's quite a lot in there now. There's capital one offs relating to last year. But if we leave those to one side, I'd say in quantum, that column is around €1,500,000 that we're talking about here.



I'd say probably just over half of that is the combined aggregate of all our of the effects of the contract renewals. Well, you're probably going to see around that level you'll see for the next until they fall away in the comparative. So that will be there for the next few quarters. And then the rest really is driven by the growth of the business. So there we're talking kind of \$300,000 \$400,000 And that will hopefully just keep growing to some extent as long as our customers keep growing.



So it shouldn't take in



any particular quarter.



And then just a final question. I think I know this question was sort of asked before, but as we model next year and 19% of your revenues in the quarter are World Cup, obviously, there is the crowding out effect of tennis, for example. But what is the kind of net effect? Would you think is it like 3% or is it 10% or what is the positive benefit of the World Cup really to you?



It's very hard to answer, but it's surely less than half, I would say. You also I mean, you have the effect in May, for instance, where leagues are ending earlier because of World Cup, for instance. So yes, I can't give an exact answer, but I feel confident to say that it's less than half of the 90% at least.



Yes. And for the Q3, I guess, I mean given the championship, I guess that, would also be kind of a you should have a better Q3 this year than a normal year because of the World Cup, even though the leagues start later. Is that correct also, you think?



Yes. I mean, it should be slightly better because of the end of World Cup. I mean, you have I don't know how many matches, was it 7 matches or something like that, but that had a big impact over quarter. But having that, I think it should be yes, you should consider it a normal quarter for less service, yes.



Yes. And then just on the Upt cost outlook, Is that more sort of staff? Or is it consultants and lawyers and staff for the U. S? Or is it how should we



At this stage, it's really it's more advisory and legal costs associated with the license applications.



Yes. All right. Good. Thanks. That's all from me.



Thank you.



Thank you.



Thank you. And our next question comes from the line of Christian Hellmann from Nordea. Please go ahead. Your line is open.



Hi. Just a few follow-up questions. A question on the quarter, sort of, from a month to month basis. Could you comment a bit on May June? I mean June was obviously good with the World Cup, but May how was May doing?



That was more or less growth quarter on quarter year on year.



Sorry, I didn't hear you.



It was zero growth or possibly even slightly negative year



on year. With the leagues finishing earlier and some of these other impacts.



Okay. Okay. And then another question on if we look into Q3, I mean, now the operator turnover index, it only grew by 11%, thanks to high sports book margins and whatnot. But how should we look into Q3? Will there be some spillover effects possibly the sportsbook margins given how they were in Q2 or?



It's again, it's hard to say what the margin will be, but we've normalized margins. I would expect higher growth than 11% at least.



Yes, yes. Sounds reasonable. And then just question, there was a question previously on Kindred, whether or not you would go in with Kindred into the U. S. And you said that you would assume so or something like that.



But 888, they're also going into the U. S. Have you or can you say anything on whether or not you will enter the U. S. Together with 888?



I'll give you the same answer there. I assume so.



Okay. And then finally, just going back to Q2 again. Some of your new clients, could you comment a bit on how much they contributed in the quarter, like Sun, for example, Stanley Betts,





the ones that you



just launched? Is it a few percentage points or if it's nothing



No, it's less than that. I mean they were not even active for a full month.



Okay. So it's less than 1% combined?



I don't have a number in front of me, but I would guess so,



yes. Okay. Okay.



Thanks. Thank you very much.



Thank you.



Thank you. And as there are no more questions registered, I'll now hand back to our speakers for closing comments.



Okay. Thank you for your questions and for listening in. We look forward to updating you on the 26 October when we publish our Q3 results for 2018. Thank you.

