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Kambi Group

Q4 2023



Speakers



David Kenyon
CFO | Kambi Group



Georg Attling
Analyst | Pareto Securities



Kristian Nylén
CEO | Kambi Group



Martin Arnell
Equity Analyst | DNB Markets



Mia Nordlander
SVP Investor Relations | Kambi Group



Operator



Simon Jönsson
Research Analyst | ABG Sundal Collier

Prepared Remarks

**Mia Nordlander**

SVP Investor Relations | Kambi Group

Good morning and very welcome to Kambi's Q4 2023 report. My name is Mia Nordlander, and I am Senior Vice President, Investor Relations, and today I am here with our CEO Kristian Nylén and our CFO David Kenyon. Today we will hear Kristian and David present the quarter and the year, and after the presentation you will be able to send questions to us. You can either do so via telephone or you can send them to me on the web. So let's start. We will start with Kristian to talk about some highlights from the quarter and then some feedback and review from the year behind us. Then David Kenyon will take over and talk about our financial summary and outlook, and then Kristian will come back and talk about the Q4 commercial and strategic updates. Then we have a short summary, and then it's time for questions.

**Mia Nordlander**

SVP Investor Relations | Kambi Group

So over to you, Kristian.

**Kristian Nylén**

CEO | Kambi Group

Thank you, Mia. Good morning. So yeah, the quarter in Q4, the revenue came in 2% down year-over-year if we exclude the Penn termination fee. This was a year where the comparison is towards 2022 when we had the World Cup, so I think that would have meant that it's roughly the same. On a full-year basis, with the same taking out the Penn termination fee, we're up full year 13%. As I said in the report, this is not a result we are very satisfied with. There are numerous reasons for that, but the main ones I would say is we would have expected higher revenues from Shape Games and from our largest partners that we expected to perform better than they did. During the year, I think we have done some additional signings.

**Kristian Nylén**

CEO | Kambi Group

Of course, we have already talked about the large ones in Q4, Svenska Spel and LiveScore, but we have also done a couple of more, 711 in Netherlands and Bingoal in predominantly Belgium, and I will talk more about them later on. As I said, we are not that pleased with the results from Shape Games, and therefore we decided to do an early settlement agreement. David will go through the details later on, but what I hope this will mean is that we will quicker get to full integration between the organizations, which will mean both financial synergies, both on the revenue side and the cost side. We have also given full-year guidance for 2024, which David will go through more in detail.

**Kristian Nylén**

CEO | Kambi Group

All in all, I would say that we feel we have done great strategic progress during the year with the setup for future success, and I will talk a little bit more about that on the next slides. But first, just a reminder on the Capital Markets Day in early last year, we gave 5 growth drivers of what is important to reach our 2027 financial targets. These drivers were, as you can see, utilize the platform to retain key partners, roll out AI pricing, extend our lead as a supplier in Americas, sign Tier 1 operators across the portfolio, and launch a major regulated market in Asia. I will go through progress on 4 of these boxes, but in Asia I would say nothing has happened so far, so it's not very much to talk about on that point yet.

**Kristian Nylén**

CEO | Kambi Group

For the financial targets, they are under review, and we will come back with a projection during the year. But one thing that has happened is that in the last weeks it became quite clear that California is very unlikely to happen. We don't believe there will be a referendum this year, which would have been a prerequisite for that to happen within the period of 2027, so now we believe the best case for California is 2028. So in 2023, yeah, retain key partners. We have done 7 partner renewals, some of them the few of them by almost the largest we have now, Rush Street, LeoVegas, and BetPlay. And we have created a more open platform, and as I will talk later on, we will bring on a third-party supplier for the first time in a few months' time.



Kristian Nylén
CEO | Kambi Group

We have talked about rolling out AI-powered trading, and at the moment 75% of our pre-match soccer is traded on the new platform. We have during the year taken more than 200 million bets from Tzeract Powered Pricing, and we expect during the year to go live with In-Play on soccer and with tennis. We believe we have extended our lead as a number one supplier in the Americas. We have launched in several new states in the U.S., and we have done multiple launches in Latin America, especially in Argentina during 2023. But we all are waiting for Brazil to happen, and that is, of course, a very important thing to happen in 2024. And finally, on this signing Tier 1 operators across the portfolio, we have done a few very significant signings during the year.



Kristian Nylén
CEO | Kambi Group

Bally's, LiveScore, and Svenska Spel are probably the three largest we have done during the year. So all in all, I would say we are very pleased with what we have done during 2023, and I think we're very well positioned for the future. With that, I hand over to David. I will come back later on again.



David Kenyon
CFO | Kambi Group

Thank you, Kristian. Good morning, everyone. So Q4, revenue was EUR 44.3 million versus EUR 45.2 million in Q4 2022, a quarter which included the Football World Cup. All the numbers I show you on this slide for last year exclude the one-off Penn National Gaming termination fee of EUR 12.6 million, which was recognized as a one-off in Q4 last year. Operating expenses this quarter were EUR 27.3 million and were lower than Q4 2022. The FX loss we had was much smaller than this time last year, and there was also a one-off credit this quarter in relation to some IFRS 2 costs on share options. And the result was that our EBITDA was EUR 8.5 million, up from EUR 7.9 million in Q4 last year. There were some items affecting comparability which came below the line, which I should talk about for this quarter.



David Kenyon
CFO | Kambi Group

Firstly, in relation to the acquisition of Abios a couple of years ago, we made a EUR 5.6 million payout on the earnout to them. This resulted in a EUR 1.5 million credit being taken on the P&L for a release of the unused contingent consideration on that investment. Similarly, as Kristian mentioned, we made a payout in relation to the Shape earnout. This was a full and final settlement of that earnout agreement. It was a payout of EUR 4.7 million in the quarter. This led to a EUR 11.3 million credit being released onto the P&L again for unused contingent consideration. Similarly, we did an annual impairment review as we have to do each year, and again on the Shape, which aligns with the earnout assumptions, but we took a one-off non-cash impairment expense of EUR 12.4 million.



David Kenyon
CFO | Kambi Group

So all those items came below the line, but they're all taken there in Q4, and they're actually net to around EUR 0.4 million across all those lines. Turning to the full-year numbers, again excluding the termination fee from last year's numbers, revenue up 13%. But as Kristian said, we're not fully satisfied with that number. If we look back to what we had hoped for, I'd say some of our existing key operators delivered less than we anticipated in the year. Specifically, Kindred, who have talked about finding themselves affected by regulatory measures in both Belgium and Norway, and Penn, who were quite outspoken in the fact that they were reducing their marketing prior to the online migration. And both of those two key customers really did impact the numbers that came through to us on our revenue share.



David Kenyon
CFO | Kambi Group

Kristian also mentioned the kind of development of Shape not being as we'd hoped at this stage. Of course, that contributed to the early earnout settlement agreement and the subsequent management restructure that we've made in that division. And I think on the back of those changes and that settlement agreement, we actually still believe we have a strong complement to our strategic plans for the whole Kambi Group with Shape. The underlying cost growth this year, stripping out the impact of Shape, FX, and the one-off I mentioned on IFRS 2, is actually underlying cost growth of 6% year-on-year. And then adding back in the impact of Shape and FX, that led to EBITDA on pre-acquisitions of being flat around EUR 25 million for the year.



David Kenyon
CFO | Kambi Group

The net cash balance at the end of the year was EUR 50.5 million after some pretty major cash transactions during the year, which I'll talk through now after the turnover index. So this one is the aggregation of the operator performance across the network as I show each quarter, and it shows the blue columns are the aggregated indexed amount of turnover through our network across all our operators, and the orange line is the aggregated operator trading margin. The turnover you see is a steep rise from Q3 up to 789 from 602. Of course, Q4 has a strong sporting calendar, including soccer, NFL, NBA, and college basketball this quarter. If we look back to Q4 2022, that number of 913 included 168, which was a contribution from the Penn online business.



David Kenyon
CFO | Kambi Group

Excluding that, so for the underlying growth in our turnover, it was up 6% despite last year having that Football World Cup. The margin for the quarter was 8.3% versus 8.1% last Q4. I can say it started quite low in October but then did pick up strongly as the quarter progressed. Onto the cash flow now. So this is on a full-year basis. We had EUR 60 million in the bank at the start of the year and made operating profits of just under EUR 20 million. But then there's some significant cash outlays you see on the right-hand side of the slide. So EUR 10.4 million in tax payments. This comprised both corporation tax and withholding tax. We've repurchased EUR 8.3 million of shares during the year in Q2 and Q4, and I'll talk more about that. In Q2, we repaid the convertible bond to the Kindred Group.



David Kenyon
CFO | Kambi Group

This was for EUR 7.5 million. The earnout payments I've discussed, so EUR 4.7 million to Shape and EUR 5.6 million to Abios, virtually all in Q4, have also come out during the year. This leaves us with a net cash balance at the end of the year of EUR 50.5 million. We have been doing quite a few share buybacks this year, as I said, in Q2 and in Q4. We've repurchased 462,000 shares during the year for EUR 8.3 million, representing just under 1.5% of the shares in issue. We've actually now repurchased 986,000 shares since we started doing buybacks, and of those, we've used 247,000 to settle share options. This leaves us with a bank of 739,000 shares at the end of the year, representing 2.36% of our total share capital.



David Kenyon
CFO | Kambi Group

There's various potential uses for those shares, including either cancellation or using them to settle incentive schemes. So, looking ahead to 2024. So we don't normally make revenue guidance, but there's so many moving parts here in the 12 months ahead that we felt kind of the need to really specify the impact of those on us. Starting with the revenue then, so obviously we have EUR 173.3 million as a starting point for 2023. And there's both headwinds and tailwinds when we look ahead into 2024 on that number. Firstly, the headwinds. So Kristian mentioned a raft of extensions of key partners for us, and some of them come with changes to the commercial terms in return, of course, for longer commitments to the contracts.



David Kenyon
CFO | Kambi Group

The biggest impact is for the Kindred Group, as we've mentioned before, that the new terms in that contract taking effect from 1st of January this year. There have been operators leaving the network, and the biggest financial impact, of course, is from Penn National Gaming transitioning their online business. As part of that agreement for the transition, there were transition fees to cover of EUR 15 million, but those end in July 2024. And of course, the loss of the online business after those transition fees end is a material headwind for us versus 2023. Also in 2023, there was a non-recurring license fee in relation to the Shape Games business, which we recognized in Q3 just under EUR 3 million. So those are the headwinds. But in terms of tailwinds, what is there? That we have regulation in Brazil looming.



David Kenyon
CFO | Kambi Group

We don't know exactly when, but it's a very exciting opportunity for us. The timing is uncertain, but of course, we'll keep you posted when we have any certainty on that. It does look like being a competitive market. It's a mature gray market, you can call it. Over 100 operators have expressed an interest in taking a sports betting license. But we are looking forward to that launch as and when it happens. In terms of potential additional growth in our modules, in particular, I can highlight Abios, and Kristian was going to share some of their growth prospects later in this presentation. Also some of our other modules have potential for growth in 2024. Of course, the 2023 partner signings.



David Kenyon
CFO | Kambi Group

So both LiveScore and Svenska Spel are yet to launch, and we hope they launch during this year, and they can contribute to our revenues, of course, and hopefully in a material way in the second half of the year. And we hope to see growth from Bally's, which was the other big signing, which when they kind of changed their approach on marketing from a less measured approach that we're seeing at the moment, then potentially that has growth potential for us in 2024 also. In terms of costs, our operating expenses excluding FX were EUR 151 million this year, 2023. And we're making a forecast that cost growth will be limited to EUR 155 million-EUR 165 million in the coming 12 months, in spite of the inflationary pressures which we're, of course, seeing.



David Kenyon
CFO | Kambi Group

There are still further synergies to be delivered, and we're not seeing the full benefits of those yet in 2024, so that those synergies, particularly in relation to further development of the Tzeract trading functionality, will likely come further down the line for us. Overall, this leads us with EUR 170-EUR 180 million guidance on revenue and EUR 155-EUR 165 million guidance on OPEX. Clearly, there are pushes and pulls on those 2024 revenues, but our long-term prospects do remain solid, and we've really limited our cost growth in 2024 accordingly. With that, I'm going to pass you back to Kristian.



Kristian Nylén
CEO | Kambi Group

Thank you, David. All right, so Q4 was another busy quarter when it comes to things happening. We have already talked about Svenska Spel LiveScore. I will touch on the new signings later on, and I will talk about Abios later on as well. But WarHorse I thought was worth mentioning here as well. It's the first retail sportsbook that anyone has launched in Nebraska. And it actually does quite nice numbers. It's only retail because that is what the regulation allows at the moment. But yeah, seeing early nice numbers growing steadily. We also launched Rush Street in Delaware, where they were winning a tender for a state lottery. And the sports betting was launched in December, so it's early days. But again, they are alone in the market, so it should have some potential. And finally, on this slide, we have Bally's launching its 11th U.S. state.



Kristian Nylén
CEO | Kambi Group

In January, I think we have already launched the 11th state as well. As David mentioned, I think we have taken a very measured approach to marketing so far. But I really hope that they will start pushing sports betting more in the near future. Two of our Kambi partner wins during Q4, 711, signed a long-term partnership with Kambi. They have been a very fast-growing casino brand in the Netherlands and are now going into sports betting. And I think if they can replicate a little bit of what we have done on casino, it can be a very exciting partner for us. The second one here, Bingoal, I think has been around for probably three decades in Belgium. They are operating both online and in 350 outlets around Belgium, and we will do both online and retail for them.



Kristian Nylén
CEO | Kambi Group

Yeah, we have a very large presence already, and with our product, I hope they can regain a good position in the Belgian market. They have also expanded into the Dutch market. I also said I would touch on Abios. We have not talked very much about Abios since the acquisition, but I thought now they are really starting to take off with their odds product. In late November, they launched their eSoccer product, which means that yeah, in December, I think we already were four times larger in terms of bets taken in December compared to November, as you can see on the graph here. It also, in December, was the fifth league with the most bets taken across the network after some of the really big soccer leagues and NBA.



Kristian Nylén
CEO | Kambi Group

When you couple their Esports product, which is not only growing very quickly in terms of the amount of events they're covering, but also it's a much, much better product than we had before. When you couple that with the streaming that we are separately selling to partners, you get an 80% player engagement increase, which makes it even a stronger product. During the year, I think we will see further improvements, more events on the eSoccer, but also a larger presence into other games like Counter-Strike, League of Legends, Dota 2, and Valorant. So I think it really starts to move on Abios, which will have a great effect for the Kambi partners on the network. But we also believe that Abios will be able to sell this product externally to other partners. After the quarter, we also have some events.



Kristian Nylén

CEO | Kambi Group

First of all, Penn has decided to extend with us for 18 more months for the retail network, and we are currently powering 30 retail properties in 13 states for Penn. So that revenue stream will continue for another 18 months until the end of 2025. So very pleased with that. And secondly, we have entered into an agreement with a virtual sports provider, Inspired, and we're integrating Inspired's product into our platform. This was a requirement from one of our recent new turnkey customers and has also been a requirement from many of our existing customers. So this is a first example of what we will see more of: Kambi opening up a platform and giving our customers some additional opportunities such as virtuals here. So to summarize the quarter, there are some near-term financial headwinds, as David communicated here.



Kristian Nylén

CEO | Kambi Group

We are not very pleased with the revenue numbers, as I said. But now I think we are in a very good spot to move forward, and after 2024, I think we will be in a much, much better spot. We will sharpen our focus towards selling modules again. I think we have come through a lot of product development we had to engage with because of the large turnkey customers we won last year. And now it's time to turn back the focus to the modules. And I would say that the strategic process we had during 2023 has laid a great foundation for success in coming years. So with that, thank you very much, and we open up for questions.



Mia Nordlander

SVP Investor Relations | Kambi Group

Yes, so thank you very much, Kristian. Thank you very much, David. Now it's time for questions, and as I mentioned, you can either call them to us or send them through the web. But over to the operator. I think we probably have some questions on the phone.

Q&A

**Operator**

Yes, if you want to ask a question, please dial pound key five on your telephone keypad. Our first question comes from the line of Simon Jönsson from ABG Sundal Collier. Please go ahead. Your line is open.

**Simon Jönsson**

Research Analyst | ABG Sundal Collier

Thank you, and good morning, everyone. I'm standing in here for Oskar and Chris today. First, a question on the 2024 revenue guidance. Can you give any more indications of how much the new Kindred contract is weighing on revenue year-to-year? Thank you.

**David Kenyon**

CFO | Kambi Group

No, we can't comment on specifics, but hopefully the guidance in total is enough information for you. No, we can't comment on specific contract numbers. Sorry.

**Kristian Nylén**

CEO | Kambi Group

I mean, I think there is one number you can take some guidance in, and that is that the minimum revenue guarantee over the next three years is EUR 55 million. It could be spread unevenly, but at least it gives you something to hang it on.

**Simon Jönsson**

Research Analyst | ABG Sundal Collier

Great, thank you. Also a question on the guidance here. Have you included expectations of new signings in the targets, and how much in that case, or would that be a positive contribution?

**Kristian Nylén**

CEO | Kambi Group

Yeah, of course, there are some revenues included for new signings. However, signings that are done now and later are probably not contributing until late in the year, so it wouldn't be very much income from that.

**Simon Jönsson**

Research Analyst | ABG Sundal Collier

All right, great. Thank you, that's all from me.

**Mia Nordlander**

SVP Investor Relations | Kambi Group

Thank you.

**Operator**

The next question comes from Georg Attling from Pareto Securities. Please go ahead. Your line is open.

**Georg Attling**

Analyst | Pareto Securities

Hello, and good morning, everyone. A couple of questions from me, just starting off with Shape and Abios, if you could say how much they contributed with in the quarter.

**David Kenyon**

CFO | Kambi Group

Yes, so Abios is around EUR 0.5 million on revenue and a small loss at an EBIT level, so around EUR 0.2 million of loss. But you saw in the graph that Kristian showed the real pickup in December, so. To updating you with hopefully more positive numbers on them as we move into Q1 and Q2. But if we can see that continued growth from the streaming and the eSoccer, then I think we'll see more positive numbers in the future. On Shape, it was around EUR 2.8 million revenue for Q4 and a 0.2 loss at an EBIT level.



Georg Attling
Analyst | Pareto Securities

Okay, and on the revenue guidance for 2024, I know you have a new contract now with Kindred, but do you also expect continued pressure on their underlying activity, or is it just a contract-term question?



Kristian Nylén
CEO | Kambi Group

It's mainly a contract-term question, but obviously we don't know the ins and outs of what will happen after their acquisition. I mean, I think their new owner, potential owner, has communicated that they are not so interested in some of the markets. It's a possibility, I would guess, that they wind some of these markets down earlier than by the end of the year. We don't know that yet.



Georg Attling
Analyst | Pareto Securities

Yeah, that's clear. On the OPEX guidance, EUR 155-EUR 165, up a bit from this year, I'm just wondering the thinking here when revenue is pretty much flat and the top end of the guidance, please, is quite a bit of OPEX growth. So what do you bake in here? Is it headcount, expansion, or other operating? Or yeah, if you could just provide more detail on that.



David Kenyon
CFO | Kambi Group

Yeah, I mean, of course, there's some costs that are hard to kind of hold back, if you like, in terms of kind of some elements of salary inflation and other inflationary pressures from some suppliers. But I mean, all in all, I think to limit it to a, I think it's a 1%-7% or 1%-8% cost range there. So I think it's certainly at the low end. And I mentioned earlier around the synergies, there's quite minimal impact, actually, from the synergies in that number. So I think, actually, the full benefit to those synergies comes later than 2024.



Georg Attling
Analyst | Pareto Securities

Yeah, okay, that's true. And then just a question. You were at ICE earlier this month showcasing the update, the product offering. Could you say anything about the reception you got there, both from existing customers and potential new ones?



Kristian Nylén
CEO | Kambi Group

I think the ICE was a really good event for us this year, both on the turnkey. But I think, yeah, it was a lot of excitement around all the different modules as well. So the outcome from ICE is very, very positive for us, and I think we are in really good shape for the future.



Georg Attling
Analyst | Pareto Securities

Okay, just a final question to you, Kristian, now that you leave the CEO role: Looking back, is there anything you wish you did differently, strategically, and what do you hope your successor will do differently to what you've done?



Kristian Nylén
CEO | Kambi Group

Yeah, that was a big question. I think there are certainly things that we could have done differently, but I think we have done a fantastic job during these years. I believe it's quite hard to always know in what direction this industry is going. I think, yeah, if you take one of the big decisions we took early on was to be fully regulated. And yeah, I still believe that that has been a good choice. But yeah, we have seen, for instance, one of the big reasons we did it was to be able to get licenses in the U.S., and some competitors got licenses without being regulated. So yeah, that is probably one of the biggest decisions that we could look back on. I think we did the right decision at that point. Not sure we would do the same again.



Georg Attling
Analyst | Pareto Securities

Okay, and on that topic, now that we've seen that operators or suppliers, I should say, who operate in unregulated markets have no problem with the licenses, will you revisit this decision, or are you firm on just doing regulated?



Kristian Nylén
CEO | Kambi Group

It's definitely something we are reviewing. I do believe that, yeah, we will come back on that. But it's something we're reviewing, whether we should take a slightly different stance. Having said that, I think it's, yeah, just a question on how far you could possibly go in that case.



Georg Attling
Analyst | Pareto Securities

Okay, interesting. Thanks a lot for the answers. That's all from me.



Kristian Nylén
CEO | Kambi Group

Thank you.



Operator

The next question is from Martin Arnell from DNB Markets. Please go ahead. Your line is open.



Martin Arnell
Equity Analyst | DNB Markets

Thank you, operator, and good morning, everyone. So my first question is on the revenue outlook. You commented on 2024, and we know that you expect a bigger contribution from new customers from Q3. So if you look further out, how should we look at 2025 in light of that when it comes to the growth outlook?



Kristian Nylén
CEO | Kambi Group

I mean, we gave one-off guidance for 2024, so I will not give you more guidance on 2025. We have given a 2027 guidance or not guidance, a target. That will be reviewed, but I mean, yeah, we will not give you more than this at this point.



Martin Arnell
Equity Analyst | DNB Markets

But it's fair. Should we view your company as growing in line with the sector, or could you give any light on what you view as a sort of a medium-term growth ambition?



Kristian Nylén
CEO | Kambi Group

I mean, it's so hard to look at the growth in terms of percentages when you have so many moving parts here. We have quite significant contract renewals. You have one of our largest partners leaving the business online in 2025 and so on. So I don't think talking about growth in terms of percentages is relevant for the next coming years.



Martin Arnell
Equity Analyst | DNB Markets

If I may, Kristian, can I rephrase it and ask you about what do you expect underlying growth in your customer network to be?



Kristian Nylén
CEO | Kambi Group

I would expect it to be higher than average because we still have quite a large portion of customers who are coming from low levels.



Martin Arnell
Equity Analyst | DNB Markets

Okay, thanks. And then if I look at your cost, it's been a little bit lower than what you've guided for under 2023. And how should we view these ranges in revenue and cost? Is it possible that the sales guidance could come in in the high end at the same time as the cost would be in the low end? Is that a possibility in this cocktail?



David Kenyon
CFO | Kambi Group

Yeah, certainly a possibility because they're not in this business, there's not that direct link necessarily between the revenue and the cost. So of course, yeah, I mean, you could see higher on the revenue range and lower on the cost range. That's absolutely feasible.



Martin Arnell
Equity Analyst | DNB Markets

Okay, thanks for clarifying that. Could you say anything about your long-term margins? Have your expectations changed when it comes to that?



David Kenyon
CFO | Kambi Group

Are you talking about the betting margin now?



Martin Arnell
Equity Analyst | DNB Markets

I was more referring to operating margins.



David Kenyon
CFO | Kambi Group

Again, I think for me, it comes a lot down to the regulations we talked about. If those happen as we hope, it can be, of course, a significant increase in operating margin, but so much of that 27 number is dependent on that. That's the review that we're undertaking. Hopefully, we'll come back with new guidance for you when we have a little bit more clarity on that.



Martin Arnell
Equity Analyst | DNB Markets

Okay, thanks. And then my final comment, Kristian. You are resigning, and you're joining the board. What do you think are the main characteristics that the board is looking for in a new CEO of the company?



Kristian Nylén
CEO | Kambi Group

I don't think it's right for me to answer that question since that is more on the chairman and the rest of the board to find my replacement.



Martin Arnell
Equity Analyst | DNB Markets

Okay, I'll try to get hold of him then if that. Thank you.



Kristian Nylén
CEO | Kambi Group

Thank you.



Operator

There are no more questions from the telco at this time, so I hand the word back to you, Mia.



Mia Nordlander
SVP Investor Relations | Kambi Group

Thank you very much. We have quite a few questions here. So I think we should start with you, Kristian. Modularization and the selling modules. You have talked about Bet Builder. How do you see it? Do you think it's a high demand from the US, or when do you think we can see the first deal? And I think we're not talking about ABIOS and SHAPE now. We're more.



Kristian Nylén
CEO | Kambi Group

I mean, I assume that we're talking about a large deal. I mean, there are not that many out there. There is a lot of interest. But it's also quite fickle when it comes to timings. But I'm very positive, and I think we have some really interesting discussions now. And as I said, I think we're ready to focus on getting a product to the market as well. So I would be hoping that we will be able to announce something during the year.



Mia Nordlander
SVP Investor Relations | Kambi Group

Great. David, a few questions regarding the 2024 guidance. Is this including Penn's extension, and have you included new potential customers during the year? I think you.



David Kenyon
CFO | Kambi Group

Yes and yes. Yeah.



Mia Nordlander

SVP Investor Relations | Kambi Group

Kristian, you just communicated that Eyas is not continuing. How do you make the due diligence on your new customers to know that they are good to actually take on board?



Kristian Nylén

CEO | Kambi Group

I think we do a very thorough process in this case. I mean, Eyas is owned by a giant in the market, Merkur. So I mean, they had all the abilities to do this, but I don't know why they changed their mind about moving into Brazil. But I would obviously take on that kind of customer next time as well.



Mia Nordlander

SVP Investor Relations | Kambi Group

Kristian, it's probably rather a question for Anders or our Chair, but with the new leadership, do you think the strategy will change?



Kristian Nylén

CEO | Kambi Group

No, I think we've been quite clear, both me and Anders, that we believe we are on a very good path with the strategy. But of course, I assume that the new CEO also will have an input on what he or she thinks about that.



Mia Nordlander

SVP Investor Relations | Kambi Group

Question regarding Penn Retail. Will this impact the termination fee? I think they refer to actually the transition fee. The termination fee was paid last year, but maybe you can give some clarity there, please.



David Kenyon

CFO | Kambi Group

No, it won't affect those transition fees. That was EUR 15 million, and it's recognized July 2023 through to July 2024, but it's all in relation to the online transition that we're supporting them with. So no, no impact on that.



Mia Nordlander

SVP Investor Relations | Kambi Group

Thank you for that. Probably for you, David, as well. You mentioned that 75% of pretty much soccer bets are done through AI. Do you expect any more cost savings through AI?



David Kenyon

CFO | Kambi Group

I mean, ultimately, yes. That's why I talked about those synergies we'll see either at the end of 2024 or slightly beyond that time period. Ultimately, yes. I mean, that's one of the reasons why we're doing this, not only a better product, but also it's less human intervention in that product. Yeah.



Mia Nordlander

SVP Investor Relations | Kambi Group

Thank you. Kristian, can you talk more about Bally during the year? Why has it been slower than you expected?



Kristian Nylén

CEO | Kambi Group

No, I can't talk very much about it. I mean, that's not yeah, we expected them to push the product much more. They have chosen another strategy. I don't know if they're waiting to reach a certain amount of states before pushing sports betting or what is holding them back. But we certainly expect them to become much larger than they are at the moment.



Mia Nordlander

SVP Investor Relations | Kambi Group

Thank you. David, some clarity on the new Kindred contract. It has different commercial terms. However, given that Kindred is yet to roll off, your sportsbook has come. This does not offset this. Maybe we have a three-year contract, and I think they talk about the 2024 guidance and how Kindred would impact there. I think we should give some clarity in that it's a three-year contract, basically.

**David Kenyon**
CFO | Kambi Group

A 3-year contract. I'm not quite sure I understand the framing of the question.

**Mia Nordlander**
SVP Investor Relations | Kambi Group

Yeah, I think it's just the yeah, we just clarified.

**David Kenyon**
CFO | Kambi Group

You can put terms on all the business that we operate, and at this stage, that's as in the past. It's not France and Australia, oh, not France, sorry, but it's predominantly the rest of the business.

**Mia Nordlander**
SVP Investor Relations | Kambi Group

Yeah. Yeah, I would answer this, that the guidance includes potential new contracts, as you answered, Kristian. But sales pipeline, how do you see that? U.S. and.

**Kristian Nylén**
CEO | Kambi Group

Yeah, I think it's looking really, really good. I know I said it many times. I think we delivered on it last year with Svenska Spel, LiveScore, and Bally. I think we have seen a lot of interest from quite large operators during the last couple of months. So I think it's in really good shape at the moment. And I would say both on the modular side and on the turnkey side.

**Mia Nordlander**
SVP Investor Relations | Kambi Group

Thank you. David, given the share price development and the strong balance sheet, do you plan to accelerate the share buyback program?

**David Kenyon**
CFO | Kambi Group

I mean, I could say we've announced a scheme that runs through to the AGM, which is in May. So there will be more buybacks under that previously announced scheme. And then let's see what mandate we look for at the AGM. I know the board's working on that, so we'll watch this space, I would say, for beyond May.

**Mia Nordlander**
SVP Investor Relations | Kambi Group

Another question on the 2024 guidance. Can you say something about Brazil and expectations there?

**David Kenyon**
CFO | Kambi Group

I mean, we have one signed operator that is just waiting for regulation in Rei do Pitaco. So that's kind of locked in. They're just waiting for the regulation to come, and then it's a question of when will that regulation be? And I mean, it's going to be, I think we're all assuming second half of 2024 at some point.

**Mia Nordlander**
SVP Investor Relations | Kambi Group

Yeah. Also, we expect it's going to be a highly competitive market.

**David Kenyon**
CFO | Kambi Group

Yeah, I mentioned. I mean, I think operators need to make a formal expression of interest in taking a sports betting license. And I'm aware there's over 100 who have expressed interest, so it will be competitive. But I'm sure we can succeed.

**Mia Nordlander**
SVP Investor Relations | Kambi Group

In your guidance, how much of Kindred's sportsbook have you assumed that Kindred would insource this year?



Kristian Nylén
CEO | Kambi Group

Not very much. I mean, I think, yeah, what we have understood from their communication, 2024 will mainly be outsourced to us. I think we will do some test markets, but not very much more than that.



Mia Nordlander
SVP Investor Relations | Kambi Group

Yeah. Kristian, do you see any price pressure from existing customers when you renegotiate?



Kristian Nylén
CEO | Kambi Group

I mean, you always see some price pressure, but I think the largest part with the new contract is that the customers have grown. So they become often a much more significant customer, and then they move to another kind of tier where we would look at them, and then the price naturally goes down. I would also say that, I mean, in the case of Kindred, I think this was the first time the contract was negotiated on more total commercial terms. We have always had to give them a convertible bond before, whereas this time we negotiated without a convertible bond in place.



Mia Nordlander
SVP Investor Relations | Kambi Group

Tzeract, are they fully ready to sign customers now?



Kristian Nylén
CEO | Kambi Group

They are quite ready. However, I think they need more products to sell. At the moment, it's only pretty much soccer. I think to have a product to really sell to the market, I think we need a little bit more.



Mia Nordlander
SVP Investor Relations | Kambi Group

Thank you. Another one for you, Kristian. When you lose a deal to new potential customers, what is the biggest reason for that? Is it price, flexibility, or PAM?



Kristian Nylén
CEO | Kambi Group

I would say price is probably the largest reason. Now, I would say that we don't lose that many opportunities to competitors. But yeah, when it happens, I think they have come in much, much lower than us on price.



Mia Nordlander
SVP Investor Relations | Kambi Group

Rush Street, can we give some color there? How are they performing?



Kristian Nylén
CEO | Kambi Group

I think Rush Street is doing very well. They have taken more of a stance of focusing on certain markets in the US. They are a casino-first brand in the US, but I think they are doing well. We're doing very well in some of the markets in Latin America as well. So yeah, very good partner to us.



Mia Nordlander
SVP Investor Relations | Kambi Group

Thank you. In your strategic review, will you discuss about entering more gray markets?



Kristian Nylén
CEO | Kambi Group

As I said, I mean, this is something we always have as a discussion point. The landscape is changing. As I said, I mean, we didn't believe that regulators would be as lenient, especially in the U.S., to working with suppliers who had gray markets. That has turned to be very different than we thought from the beginning.



Mia Nordlander

SVP Investor Relations | Kambi Group

Okay. I think that was it for today. Thank you very much, Kristian. Thank you very much, David. Thank you very much for listening in to us today. We will be back here for the Q1 report on the 24th of April. If you have questions, of course, feel free to reach out to the IR department, and I wish you a very good day. Thank you very much.



Kristian Nylén

CEO | Kambi Group

Thank you.



David Kenyon

CFO | Kambi Group

Thank you.