

July 25, 2018

## **Kambi Group**

Q2 2018



## Prepared Remarks

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Good morning, welcome to Kambi's second quarter results presentation. I am Kristian Nylén, chief executive, and joining me is our CFO, David Kenyon. Please turn to slide two. 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. First, on slide three, let me give you a brief introduction to Kambi. Kambi is a premium turnkey sports betting 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 the foundation of our service.

The Kambi sports book consists of multiple elements, from front-end user interface through to odds compiling, customer intelligence, risk management, and customer empowerment capabilities, enabling our customers to offer their players the leading sports book experience on the market. On to slide four. Kambi's business is built around a revenue share model, with our growth dependent on our operators' success. The foundation of our strategy is based on scalability, the majority of our cost base is fixed. At no additional cost to the operator, Kambi continuously invest in products, 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 probity and integrity, we are publicly listed, have successfully obtained all licenses applied for, and continue to avoid markets which prohibit sports betting.

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 five. The second quarter was a strong one for Kambi. We posted revenues of EUR 17.6 million, a 25% year-on-year increase. Operator trading margin for the quarter was 7.8%, a figure above our long-term expected average. We added three 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 DraftKings. I will give more detail on them later. In addition, we also added Romanian operator Stanleybet Romania at the beginning of the quarter. Shortly after Q2, we signed ATG and Latvijas Loto, as well as extended our partnerships with Kindred and Mr Green. More on this later.

I will now hand over to David Kenyon, who will talk you through the financial highlights, turning to slide six.

Thank you, Christian. Good morning, everyone. In Q2, we had revenue of €17.6 million, an increase of 25% from last year. Operating costs were EUR 15.2 million, giving an operating profit for the quarter of EUR 2.4 million. Our cash flow for the quarter, excluding working capital movements, was EUR 1.9 million, and our net cash position at the end of June was EUR 27.9 million. Let's look at the income in some more detail, turning to slide seven. This slide sets out what we call the Kambi Turnover Index. The graph shows the trends of the results generated by Kambi for its operators. The turnover is the total stakes placed with the operators by their end users on Kambi'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%-7.8% year on year. Some of the major football leagues also finished earlier than last year due to the FIFA World Cup, which had some impact on the operator 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, and a move towards betting on higher margin products such as in-play betting.

As a result, we're changing our guidance for the expected long-term average for the operator trading margin to 6.5%-8%. We can see the conversion from operator turnover growth to our revenue growth on slide eight. 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. Kambi'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 their original contract signing, and the terms of the renewals generally reflect this growth.



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 EUR 0.3 million. 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 EUR 17.6 million. Let's turn to the income statement on slide nine. Operating expenses for the second quarter were EUR 15.2 million. Operating expenses are forecast to increase in Q3 by 5%-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 EUR 2.4 million compared to EUR 0.3 million last year, and profit after tax is EUR 1.7 million compared to EUR 0.1 million last year. 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 of April was EUR 36.3 million. Working capital decreased in the quarter by EUR 2.4 million, 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 EUR 2.4 million, whilst the amortization charge on previously capitalized costs was EUR 2.1 million.



The net cash outflow for the quarter was EUR 0.7 million, and our closing cash balance was EUR 35.4 million. Let me pass you back to Kristian. Turning to slide 11.



Thanks, David. As I touched on earlier, on May 14th, the U.S. Supreme Court fully repealed the federal sports betting ban. This has generated an attractive business opportunity for Kambi. Since this decision, we have signed two 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. It's worth noting that the U.S. Supreme Court did not legalize 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 a more considered approach. Estimates put the number of states likely to be regulated by 2023 between 25 and 32 states. With this in mind, Kambi's U.S. business 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 focus on two 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. Kambi will gain entry to the market through its recent deal with Rush Street Gaming, which owns two of the state's 12 casinos. Due to revenue tax of 36% and hefty operator licensing fees, no operator has yet applied for a 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 four commercial land-based casinos. Of those four casinos, one is owned by Rush Street Gaming, while another has a deal in place with DraftKings, potentially handing Kambi 50% of a regulated market, with many other sports 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 PASPA, Kambi signed its first U.S. customer, Rush Street Gaming.



Rush Street operates one of the fastest-growing online casinos in New Jersey, as well as brick-and-mortar casinos in three key states, Pennsylvania, New York, and Illinois, which as I explained, will prove crucial to gaining access to sports betting markets. Rush Street also has international plans and has already launched a Colombia-facing sportsbook with Kambi. Turning to slide 14. In June, Kambi 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 million customers. DraftKings is on track to launch its online sportsbook in New Jersey in Q3, with other states also on the agenda. It recently agreed a deal with the del Lago Casino in New York for one of the four available sports betting licenses. On to slide 15.



At the start of June, Kambi launched three customers into three 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 for the World Cup. With Sun International, we launched in South Africa for the first time, while Stanleybet Romania and Rush Street Interactive went live in Romania and Colombia respectively, both taking bets within weeks of signing with Kambi. Now, on to slide 16. Our commercial momentum has continued into Q3. Kambi has already signed deals with ATG and Latvijas Loto, both significant customers for different reasons. ATG is a major customer win for Kambi. As a monopoly operator, it's one of the most recognizable brands in the Swedish market with a large customer base, both retail and online.



I look forward to adding a Kambi sportsbook to its trotting and horse racing products when the market regulates in Q1 2019. We also signed our first state-owned lottery operator in Latvijas Loto. As well as the immediate benefits of launching with Latvijas Loto, we believe the deal will act as a good proof point when pitching for other state lotteries in the future. These two deals mean Kambi has now signed eight customers in the last 12 months, with three customer signings in Q2 alone, a quarterly record for Kambi. 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 Mr Green. The Kindred deal gives Kambi 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 Redbet move from its current supplier to the Kambi platform. As a result of this renewal, Kambi 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 players 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 in-play specials and extended extra time offer and a new penalty shootout 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. As you can see from the chart at the right, it wasn't just in-play 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. Into slide 18. To recap, the second quarter has been very positive for Kambi in many respects. Firstly, we grew revenues by 25% following a successful World Cup and new launches. We also continued our commercial momentum with major customer wins in both U.S. and Sweden, while we also secured our first state lottery operator.



Reflecting our high-quality product, we signed and extended deals with Kindred and Mr Green, which will soon migrate its Redbet brand to a Kambi sportsbook. Thank you.

## Q&A

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Thank you. Ladies and gentlemen, if you have any audio questions for our speakers, please press zero one on your telephone keypad. If you would like to withdraw your question at any point, that is zero two. Once again, that is zero one on your telephone keypads if you have any questions. Our first question comes from the line of Viktor Högberg from Pareto Securities. Please go ahead. Your line is now open.



Hi, good morning. Maybe we could start off with the margins and the sportsbook turnover in Q2. Even Kindred said as well that the strong margins in Q3, Q4, Q1, and 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? What is your strategy for this to not have a long-term effect?



Hi, Viktor. I think the strong margin, that is more because of the results, I don't think we should adjust the paybacks as you may remember, we had a couple of tough quarters in the beginning of last year. I think that's more a coincidence than anything else. 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. Could you maybe shed some light on the Q2 and the World Cup over your client base and over geographies? Was the growth broad-based, or could you say something about that?



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 ice hockey is much more important than the football. Normally you can say that it's 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, you don't have any clients that have been doing badly during the quarter? One 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. Regarding the OpEx growth, you've guided for 5% in Q3 over Q2. What about 2019 and 2020? I saw just one 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 and 2020. Could you elaborate on that? What's to be expected? Closer to 10% in 2019, or closer to 15% or?



Yeah. Hi, Viktor. It's David. It's a little bit hard to put a 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. That will impact it to some degree. I think we've increased the percentage points for the next quarter probably up a couple of % 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.



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 once we see what the different states are actually requiring of us. Does that make sense?



Yeah, sure. A lot of moving parts.



Yeah.



Could you say something about a possible effect on you guys from Italy maybe, or potentially banning advertising from the middle of next year? Will that affect your revenue base somewhat?



I would sure hope so. Sorry, did I misunderstand the question? Can you repeat the question?



Yeah. Italy potentially banning advertising from the middle of next year. Will it have any negative effects on you?



Yeah, exactly. Sorry. Surely don't hope so. It may have some effect on us as well, of course. Italy is not a very large market for Kambi at the moment. It should have a limited effect on Kambi.



Okay. Thanks. Regarding the sportsbook margins ahead, you revised it upwards the range from 6.5%-8%. From when do you expect that to be relevant? Is it already now or in a year from now or?



It was like I communicated already in the last couple of quarters that we see some trends. Finally we added that to the guidance as well. We expect Yeah, that from now. I would say that you have already seen effect of it as well.



Okay. It's already there. Regarding the U.S. and the operations that you are building up there at the moment, how much do you think, given current outlooks, will you be able to scale your presence there 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? Would it be really minimal incremental costs?



Yeah. I think the cost is based on entering the U.S. market, then it doesn't really matter if it's one customer or 10 customers who we entering with. As long as, if a first customer was entering all states, that is, of course. The cost will primarily be driven by regulatory demands in form of cost for licensing and the cost for operating under new licenses. Specifically, we would probably have to have servers located within each and every state. We will also expand our U.S. offering, again, it doesn't matter if it's one customer or 10 customers.



Okay. One last question from me at the moment. Regarding Pennsylvania, no operator has applied for a sports betting license due to the tax rates. You said your hope is to change soon. Have you heard anything or have you seen anything, or why do you expect it to change?



No, it's very early still. I would expect players to entering Pennsylvania as well. You can compare it to France, even if it is a heavy tax burden, you want to have a position in large state like Pennsylvania.



Okay. Do you have an own projection of when it would be a relevant market for you guys? What year?



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



Okay. Thank you.



Thank you.



Thank you. Our next question comes from the line of Shari Shahsi 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 to comment on Mr Green's last acquisition. Will you be the sportsbook supplier of their latest acquisition as well?



If you're referring to Redbet, we will.



Yeah.



As I said before, we're very happy about that. They have decided to migrate the Redbet customers over to the Kambi platform as well.



When can we expect that to commence?



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



Would you expect revenues coming there from, I guess from Q3, or is it from Q4?



Probably Q4 over.



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 so, yes.



Okay. When do you expect that to commence as well?



Again, that's a question for Kindred. I can't speak about their business.





All right. Then just looking into the U.S. signing of Rush. They have casinos in five states. Are you expecting those to go enter other states besides ones where they have license today? Just looking at Rush as a client, is the potential for them to double their size on sports revenues or three times the size?



First of all, they have physical casinos in three states, plus that they do online in New Jersey.



Yeah.



It's really hard for me to sit and answer questions about the operators. Even if I knew something, it would be not in their interest for me to sit and answer questions about their strategy publicly. I can't do that, unfortunately.



Yeah. I guess you must have some kind of expectations given the fact that they, in fact, are your clients.



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



Well, that's another case. All right, just lastly on the U.S. pipeline for Kambi, is it more prospering post those signings? What about more client contacts? Any comments on that?



We have a commercial representation over there. Yeah, they're in the process of building out networks and making contacts. Yep. Best efforts over there.



Okay. Thank you.



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



Thank you. Congratulations on the deal with ATG and DraftKings. My first question is actually about DraftKings. They're obviously big in daily fantasy sports. Can you give us your idea of the conversion between daily fantasy sports and sports betting, even though the U.S. is in a unique situation with sports betting being basically banned all over the country. What's your view on that? Is it easy to convert? Do you assume that basically any player that's been a daily fantasy player will convert into a sports betting player? Or how do you view that? Are there any examples we can draw wisdom from and so on?



Unfortunately, I don't think there are any good examples to draw any conclusions from. In my opinion, a lot of the daily fantasy, it's very similar customer base to Logic360. I think the conversion should be very high and for many, I would guess that daily fantasy has been a substitute to fixed odds betting because it was not available.



Okay. If you could give us a bit more flavor on the margin going up. The long-term margin as you expect it to be 8% up from 6.5%. What are the trends leading to that change?



Yeah, actually, we have widened the span a little bit. What we see and believe at the moment is that the margin we'll roughly expect to be half a percent higher long term than we have guided on before. Yeah, it is the things David was talking about earlier here, higher conversion to mobile, especially new player segment coming in from some of our new customers. Also more of a bet placed on a higher margin product than before. It's not anything we have done in terms of lowering our paybacks or anything like that. It's more the players and how they use the product that have changed slightly.



Okay. Basically it sounds to me like it all sums up to more leisure players joining your player base.



You can say that, yes.



Yes. 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 are always revising that, but if you look on the World Cup, for instance, Kambi offered very competitive paybacks on the main markets. I don't see any reason for us to increase the paybacks at any point. Having said that, we have given our operators the opportunity to differentiate the paybacks with the price differentiation. To some extent, it's their choices as well, what paybacks they want to work with.



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



That was SBTech. Obviously we are very happy for Mr Green to choose us as their supplier for both brands and yeah, very happy about that.



Okay, I understand. Okay, thank you very much. That's all from me.



Thank you.



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



Hi, thanks. Question on the cost guidance that you mentioned before, 5%-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?



Yeah, that's one of the main drivers. There's probably one other one which is non-cash charge related to share options, but I'd say the other big one is the U.S., and there it's really kind of the advisory fees and all the costs associated with our applications for the various licenses.



Started in Q2, we'll carry on at full speed in Q3.



Yeah.



Also the commercial efforts we're making over there.



Okay. For Q4, 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 possible. Would you expect your sort of investments in the U.S. to increase sequentially over the next couple of three, four quarters? 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, we need to wait and see a little bit what the regulations dictate 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 five states that we're looking at. Really any cost growth or increase is going to depend on what the rollout to future states is after that, but that's the kind of speed we're running at this year.



All right.



Which is all the available licenses.



Another question on the growth in the quarter. You posted a 25% growth, and you also mentioned that I think 19% growth came from the World Cup. I guess that means that the underlying revenue growth in the quarter was 6%. Can you comment a bit on that? Is that representative of the market growth, or do you have any comments on the underlying growth excluding World Cup stealing?



I would say, first of all, that 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 lower turnover this quarter than it was last year because of the World Cup. The punters are switching interest from other things into the World Cup.



Yeah, that makes sense, obviously.



Yeah.



Can you give some indication of sort of the underlying market growth for sports betting in Europe at the moment? Is it 10% or 15% or just sort of rough?



The H2 Gambling Capital, I think, is guiding on roughly 10% on a yearly basis. That's the best estimate I have on the total market.



Yeah. Okay. Then just on the customer pipeline, previously you've commented on the pipeline as sort of being the best ever in those sort of wordings one or two quarters ago. Since then you've churned the pipeline a bit with DraftKings and ATG, what would be your description of the pipeline at the moment?



Yeah, maybe not as good as it was a quarter ago, but still very good. I think more and more is opening up and the U.S. is obviously a very interesting market for us at the moment.



Yeah. Final question, just on LeoVegas. There were some comments previously on the fact that you're taking over Redbet from SBTech, but I just noticed that LeoVegas, their acquisition of Rocket X, which includes betuk.com, they recently partnered up with SBTech. So I'm just wondering why you're not doing the sports betting for Rocket X, which was acquired by LeoVegas.



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



Okay. That was it for me. Thanks.



Thank you.



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



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



Yes. I can give you some flavor. We usually don't talk figures, but I think especially Corredor Empresarial, I think there has been some official data that Colombia as a market is growing very fast, and I think as I communicated before, we strongly believe that Corredor Empresarial has a very good potential of becoming a market leader in that market eventually. I don't think they are there at the moment, but I think they are on a good way to get there. When it comes to Stanleybet, I think I don't expect a huge amount of revenues coming from Stanleybet up until we go live with retail in roughly a year's time from now. SunBet or Sun International, they had an existing sportsbook before, so that should be an immediate impact on revenues from them.



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



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



Okay. That's great. That's all from me. Thank you very much.



Thank you.



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



Hi, good morning.



Good morning.



We had some previous questions about sports betting margin. Here's another one. You have mentioned some reasons why it goes up, I would assume it would go down in trend towards more live betting, i.e., more singles and less combination. Also the trend in the market with higher payback. You have any comment on that?



Yeah, that has been the trend over a long time. I think at the moment, the trend is actually that, in-play betting is not growing faster than pretty much for us, at least at the moment. This is probably the first time in many years that that is the case. I think when it comes to paybacks, that has been very stable over the last two years, at least. It may change again, but at the moment, I don't really see a pressure in us having to consider raising any paybacks. I think we are on very competitive levels at the moment.



Okay. Second question. On the improved margin, have there any reasons that maybe some better categorization and limiting short players?



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



Okay. Thank you.



Thank you.



Thank you. Our next question comes from the line of Viktor Huurberg from Private Securities. Please go ahead. Your line is now open.



Hi again. I'd just like to talk a bit about the start of Q3. You don't guide for that, 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. Could you talk about the start to Q3 with the matches the first two weeks in the World Cup?



I will not comment, 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. That has an impact on the early start of the quarter. The results, it was a few good draws in the playoffs. That obviously have a good impact, as you can imagine, France winning the final was probably not the best result we could imagine. It was some good and some bad results in the beginning of Q3 on World Cup. 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.



Yeah, of course. That to maybe fade out during the quarter.



Yeah.



At least until September. Could you talk a bit more about competition? I've noticed SBTech 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 could you talk about competition in general?



Yeah, competition is fierce nowadays. We will for sure not win all customers. Obviously, some of the customers that SBTech has been winning, we were also in talks with the same as they were surely in the talks with both DraftKings and Rush Street Gaming as well. That's how it is. Actually, I think it's positive rather than negative that we have a good competitor nowadays. 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?



Yeah, 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. Then I think you will see a lot of deals that is more based on JVs with or white label solutions, where I see companies like William Hill and Paddy Power and Betfair also being successful.



Okay. Thank you. 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 such? With nice growth in the U.S., would that skew the expected range upwards or downwards?



It's really hard to say. If you look on the existing betting that is going on in Las Vegas at the moment, they are more in range of 5% hold on their betting at the moment. I would expect the Vegas betting to be much sharper in average than it will be when U.S. is opening up in other states. It's hard to say at the moment what the margin will be in the U.S. When U.S. becomes a significant part of our business, we may adjust the expected range again.



Okay. Well, thank you.



Thank you.



Thank you. Our next question comes from the line of Rasmus Engberg 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?



Yeah, the underlying corporate tax rate is going to be around 17% mark. There was a one-off annual withholding tax we saw this quarter that kind of skewed the numbers slightly this quarter. It was around EUR 0.3 million of that, EUR 0.7 on the P&L, but underlying corporation tax around 17%.



Right. Thanks. Secondly on relating to taxes, actually, 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 is a positive? Is that what's going to happen or minus?



There was actually still some kind of legacy effect. The VAT lasted through to, I think it was the end of May. I think in Q3 there should be a slightly more positive on that waterfall. Of course in that waterfall, we combine it with the marketing. It kind of depends on that level of marketing spend, but overall it should be slightly better Q3 onwards.



This for us very difficult to grasp thing, which is called other volume related commission as well. 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?



That's a good question. There's quite a lot in there for now. There's a couple of one-offs relating to last year, if we leave those to one side, I'd say in quantum that column is around EUR 1.5 million that we're talking about here. I'd say probably just over half of that is the combined aggregate of all our or the effects of the contract renewals. What you're probably going to see around that level you'll see for the next, until they fall away in the comparatives. They'll be there for the next few quarters. The rest really is driven by the growth of the business. There we're talking kind of EUR 0.3 million, EUR 0.4 million. That will hopefully just keep growing to some extent as long as our customers keep growing.



Yeah. Right. Good. Thanks. That's.



We shouldn't see it in any particular quarter.



No. Good.



That's right.



Just a final question. I know this question was sort of asked before, but as we model next year, 19% of your revenues in the quarter are FIFA World Cup, obviously there is the crowding out effect of tennis, for example. 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 a FIFA World Cup really to you?



It's very hard to answer, but it's surely less than half, I would say. You also have the effect in May, for instance, where leagues are ending earlier because of FIFA World Cup, for instance. Yeah, I can't give you an exact answer, but I feel confident to say that it's less than half of the 19% at least.



Yeah. For the third quarter, I guess given that the championships end, I guess that would also be a kind of a, you should have a better Q3 this year than a normal year because of the FIFA World Cup, even though the leagues start later. Is that correct also, you think?



Yes, it should be slightly better because of the annual FIFA World Cup. You have, I don't know how many matches it was, seven matches or something like that.



That had a big impact on the quarter. Other than that, I think you should consider it a normal quarter, more or less. Yeah.



Yeah. Just on the OpEx cost outlook, is that more sort of staff, or is it consultants and lawyers and stuff for the U.S.? Or how should we-



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



Yeah. Right. Good. Thanks. That's all from me. Thank you.



Thank you.



Thank you. Our next question comes from the line of Christian Hellman from Nordea. Please go ahead. The 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 and June? June was obviously good with the World Cup. May, how was May doing?



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



Sorry, I did not 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. Thank you very much. Then another question on if we look into Q3. Now, the Kambi Turnover Index, it only grew by 11% thanks to high sportsbook margins and whatnot. How should we look into Q3? Will there be some spillover effects possibly with the sportsbook margins, given how they were in Q2, or?



It's hard to say what the margin will be. With normalized margins, I would expect a higher growth than 11% at least.



Yeah. Sounds reasonable. Just a question, it was questioned 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. 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. 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, Stanleybet, the ones that you just launched?



Yes.



Is it a few percentage points, or is it nothing?





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



It's less than a % combined?



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



Okay. Thanks. Thank you very much.



Thank you.



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



Okay, thank you for questions and for listening in. We look forward to updating you on the 26th of October when we publish our third quarter results for 2018. Thank you.

