

14-Feb-2018

Kambi Group Plc (KAMBI.SE)

Q4 2017 Earnings Call

CORPORATE PARTICIPANTS

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

David Kenyon

Chief Financial Officer, Kambi Group Plc

OTHER PARTICIPANTS

Christian Hellman

Analyst, Nordea Bank AB

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Rasmus Engberg
Analyst, Svenska Handelsbanken AB

MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, welcome to the Kambi Group Q4 Report 2017. Today, I am pleased to present Kristian Nylén, CEO and David Kenyon, CFO. For the first part of this call, all participants will be in listen-only mode and afterwards there will be a question-and-answer session. Speakers, please begin your meeting.

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

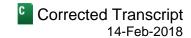
Good morning and welcome to Kambi's fourth quarter result presentation. I am Kristian Nylén, Chief Executive and joining me is our CFO, David Kenyon.

Please turn to slide 2. In a moment, I will give you a brief overview of the quarter, after which David will take you through the numbers. I will then speak about the quarter in a little more depth and as usual, the Kambi initiative, which this quarter focuses on the U.S. market. Following the presentation, we will open up for questions.

But first on slide 3, 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 inhouse developed platform, which has been continuously developed over the last decade. The platform, together with our 600-plus highly skilled staff, forms the foundation of our service. The Kambi's Sportsbook is formed of multiple elements from front-end user interface through to odds compiling, customer intelligence, risk management and customer empowerment capabilities. We currently offer our service to 15 operators, spread across six continent, making us a truly global Sportsbook provider.

Let's look at the quarterly highlights on slide 4. Q4 produced a record quarterly revenue of €19 million, a 33% year-on-year increase. This growth was largely thanks to an extended run of favorable sport results. We just delivered a high operator trading margin of 9.7%. This margin is considerably higher than our previously

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communicated forecast range of 6.5% to 7%. This took our trading margin for the year to 7.4%, a figure more in line with our earlier forecast.

We signed another new customer in Sun International making it eighth consecutive quarter in which Kambi has won new business. Sun International is one of the largest land-based casino operators in the southern hemisphere and also runs an online sports book in its home market of South Africa. We are delighted to add them to our network. The quarter also [indiscernible] (00:03:22) extended deals, with three key customers at LeoVegas, Paf, and Napoleon Games, all committed to campaign for the long-term. When including renewal of 888sport in July, Kambi has recently secured four key sources of revenues for years to come. Renewals also illustrate the strength of the service we provide.

Finally, last week, industry publication, Gambling Insider held its Global Gaming Awards ceremony in London. And I'm delighted to report Kambi won online sports betting supplier of the year. While we measure our success on that of our operators, it's always pleasing to be recognized for our work.

I now hand over to David, turn to slide 5.

David Kenyon

Chief Financial Officer, Kambi Group Plc

Thank you, Kristian. Good morning, everyone. In Q4, we saw Kambi's highest quarterly revenue to-date of €19 million. This is driven by very strong operated trading margin at 9.7%. Operating costs were €14 million, giving an operating profit for the quarter of €5 million. For the full year, revenue was €62.1 million, with operating profit of €7.7 million. Our cash flow for the quarter, excluding working capital movements was €3.8 million and our net cash position at the end of December was €26.9 million.

So let's now look at the income in some more detail. Turning to slide 6. This slide sets out what we call the Kambi Turnover Index. The graph shows the trend or the results generated by Kambi for its operators. The turnover total stakes placed with the operators by their end users on Kambi's sports betting service.

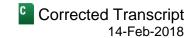
In Q4, we've seen turnover placed with our operators up 7% from Q4 last year. The level of operator turnover was suppressed by the very strong operated trading margin in the quarter due to the correlation that we typically see between these two metrics. The margin represents the combined trading margin made by the operators. In Q4, this margin was 9.7%.

It's in the nature of the business for the trading margin to fluctuate between quarters, depending on the results of sporting events. Effective this quarter with a number of lowest scoring [indiscernible] (00:06:09) in the major football leagues which had a positive impact on the trading, operator trading margin. The margin for the full year was 7.4%.

We believe that the expected long-term average for the operator trading margin is 6.5% to 7%, however, the growth of the operating network we are supporting as well as certain other structural factors may cause us to assess whether this range [ph] makes frequently (00:06:35) higher.

We'll continue to monitor this closely, as well as any knock on effect this might have on the level of operator turnover. We can see the conversion from operator turnover growth to our revenue growth on slide 7.

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After effects operator turnover grew by 7% compared to Q4 2016. The operator trading margin multiplied by the turnover, generate the operator's growth gaming revenue. The trading margin of 9.7% was well ahead of Q4 last year, leading to an overall operator GGR increase of 55% year-on-year.

As part of our revenue model, we shared certain costs with our operators. These can include player incentives, such as free bets and betting duties. Compared to Q4 last year, we saw a proportionally lower deduction of betting duties.

Additionally the impact of Belgium VAT, which is introduced in August 2016, is no longer seen in this year-on-year analysis. Kambi's commission is based on a percentage of the operator's NGR. To promote growth some of the customer contract includes tiers with lower commission rates on the higher levels of the sports betting revenues. This along with [ph] fixed (00:08:01) part of our revenues is shown in the other column of the graph. The other column also includes the impact of the 888 contract extension signed in July this year. The net effect of all these factors, the revenue for Q4 2017 is up by 33% on Q4 last year to €90 million.

Let's turn to the full income statement on slide 8. Operating expenses for the fourth quarter were €14 million, up by 2% from Q3. For the full year, operating expenses are €54.4 million, up 15% on 2016. Operating expenses forecast to increase in Q1 2018 by 3% to 5% compared to Q4. Overall in Q4, profit from operations is €5 million compared to €1.8 million last year and profit after tax is €3.9 million, compared to €1.2 million last year.

Looking at 2017 as a whole and to the year where we continue to invest in building a market-leading Sportsbook to maximize our long-term revenue potential. Our revenue growth was impacted by the terms of the 888 renewal, however, the foundation for a highly scalable business model remains in place. And we saw evidence of this in Q4 where the increased revenues drove a sharp increase in operating profit.

Now let's look at the cash flow on slide 9. [indiscernible] (00:09:40) this slide, there are major components, which impacted our cash position during the quarter. Our opening cash balance on the 1st of October was €32.2 million. Working capital decreased in the quarter up €2 million, reflecting an increase in taxes due to higher invoice demands, compared to the previous quarter end. Capitalized development costs in the quarter were €3.3 million, [indiscernible] (00:10:06) amortization charge on previously capitalized cost was €1.8 million.

The net cash inflow for the quarter was €1.9 million and our closing cash balance €34.3 million. So now let me pass you back to Kristian, turning to slide 10.

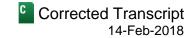
Kristian Nylén

Chief Executive Officer, Kambi Group Plc

Thanks, David. As I touched on earlier, in the Q4, we signed another customer in Sun International. Listed on the Johannesburg Stock Exchange, Sun International is one of the largest casino resort operators in the Southern Hemisphere, with properties in South America and its market in South Africa, which includes the flagship luxury resort Sun City.

Sun International also operates an online Sportsbook in South Arica called Sunbet. Sunbet is currently run on proprietary technology, with an internal trading team supplemented with the third-party feeds. The deal will see some international [indiscernible] (00:11:12) current online set up for Kambi's [indiscernible] (00:11:15) Sportsbook.

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Our ambition is to launch Sunbet on the Kambi platform within the next few months. The precise timing is largely dependent on the completion of the local compliance procedure. Following the online launch where it's also longer term plans to introduce the Kambi retail product to the Sun International retail premises.

The signing of Sun International means Kambi has added at least one new customer in each of last eight quarters [indiscernible] (00:11:51) grew in terms for sports betting outsourcing and as well as the relevance and quality of a Kambi model.

Now on to slide 11. [indiscernible] (00:12:05) important at adding new operators is the extension of deals with our current customers. In our previous report, we detailed extended deals agreed with LeoVegas and Paf at the beginning of the Q4. In addition, Q4 [indiscernible] (00:12:24) a multi-year extension to our contracts with Napoleon Games. In partnership with Kambi, Napoleon Games has built a leading position in its local Belgium market. So we're very happy for them to have committed to Kambi for long-term.

When taking into account the recent extension with 888sport, Kambi had signed extended deals with our four largest operators outside of Kindred, securing important sources of revenues for years to come.

Turn to slide 12. In Q3 2017, Kambi signed one of the largest private gaming operators in Bulgaria, National Lottery AD. I'm delighted to report the Kambi's Sportsbook went live through National Lottery AD's 7777 brand in the end of January. The launch involved a customer migration [indiscernible] (00:13:31) lotteries previous sports betting provider, meaning, Kambi has been generating revenues from day-one of the operation.

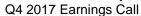
The brand already holds the leading position in the online lottery market with more than 2 million registered customers [indiscernible] (00:13:49) ambition to build a similar prominent position in the sports betting. Early signs has been promising. For instance so far in February, the volume of bets coming through ranks inside the top five will be in Kambi network operators, albeit, the stake sizes are lower than elsewhere in the network.

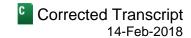
On to slide 13, now I would like to talk you through one of Kambi's key initiatives. As some of you may be aware, there are growing optimism and excitement around the possibility of legalized sports betting in the U.S. At present, there is a federal ban in place on sports betting in the U.S. However, in December, the Supreme Court heard all our arguments in the State of New Jersey's long running legal battle to strike down the law. The Supreme Court is expected to hand down its judgment latest by June. However, the decision could come as early as next month.

[indiscernible] (00:15:00) ruled the prohibition to be unconstitutional, Kambi expects a large number of states to adopt regulatory frameworks for sports betting.

Four states have already passed bills for sports betting, which would come into effect if and when the prohibition is lifted that is New Jersey, Connecticut, Pennsylvania and Mississippi. In addition, at last count, now we are 16 states where bills were in progress. Kambi has always kept one eye on the U.S. [indiscernible] (00:15:43) expectation the regulatory situation would change and the market will open up. Should this happen our addressable market could double overnight.

And following recent developments, we decided to make preparations for positive Supreme Court decision. This includes understanding and [ph] scoping out (00:16:06) potential state-by-state regulatory requirements. The legal market would likely resemble the regulatory situation we see in Europe, where regulatory frameworks differ from country to country. As our experience in Europe [indiscernible] (00:16:24) with Kambi model and technology it's scalable and adoptable to a variety of compliance needs. We also performed a full product assessment to identify





any potential gaps. And I am glad to say that bar some small modifications, the Kambi product would be well suited to U.S. betting audience. We're also considering our thorough approach to sports integrity and strong company probity, Kambi is very well placed in U.S. and – at and when the local law allow.

Moving on to slide 14. Last week, we saw the annual ICE Totally Gaming show in London, the largest trade show for gaming industry. That's every year Kambi took floor space of ICE to show guests and potential customers the power of Kambi's Sportsbook. This year, we again saw an increased interest for outsourced sports betting solutions, where the Kambi stand incredibly busy across all three days of events. Notably, we saw a great interest from U.S. attendees [indiscernible] (00:17:50) U.S. market.

The event also gave Kambi an opportunity to strengthen relationship with our current customers. Specifically, Kambi hosted a [ph] world-class (00:18:04) workshop to ensure our customers are fully equipped and ready to make a most of Kambi's Sportsbook before during and after the tournament.

Now on to slide 15. Ahead of ICE, I was delighted to collect the award for the online sports betting [indiscernible] (00:18:25) year of the global gaming awards, organized by leading industry publication Gambling Insider, the awards [indiscernible] (00:18:33) by KPMG, giving the award for extra significance. But prior to these recognition, strides were made over the last 12 months. Our extended global reach and the hard work and effort we see from our dedicated staff each and every day.

On to slide 16. So to recap, Q4 was another successful quarter for Kambi. A 33% increase in revenues delivered a record quarterly performance. We signed another major brand in some international increasing our global reach. And we extended deals with three key customers. And we have made significant progress to be ready for a potential lucrative U.S. market, [indiscernible] (00:19:31) upcoming Supreme Court decision.

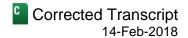
More generally, Kambi has never been in a better shape and I'm excited for the year ahead.

Thank you. Q&A?

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] And the first question comes from the line of Christian Hellman from Nordea Markets. Please go ahead. Your line is open. Christian Hellman Analyst, Nordea Bank AB Hi, thanks. Few questions. Just potentially in the U.S. I'm just trying to understand on sort of, if you could give an example of, if the market would open up, what you could do in that market, because as I understand it that the law that is potentially being overturned, that just involves sports betting in a retail environment, physical environment, it's not online correct? Kristian Nylén Chief Executive Officer, Kambi Group Plc Hi, Christian. I would say that that is totally up to each and every states wherever online will be allowed. In New Jersey, for instance, where we have started with online casino and poker already, I'm sure that sports betting will bail-out online directly. And I feel very confident that you will see a trend of sports betting leading the online movement in gaming in U.S. if it was returned. Christian Hellman Analyst, Nordea Bank AB Okay, okay. I thought there was another law the Wire Act that sort of prohibited online sports betting as well, but might be mistaken? Kristian Nylén Chief Executive Officer, Kambi Group Plc Yeah. I think so, yes. I mean, you can't do it cross states. So I mean, you [indiscernible] (00:21:50) already, you have online or mobile betting. And yeah, in New York's case, I'm sure that we will allow mobile betting as well. Christian Hellman Analyst, Nordea Bank AB Okay. Fine, fine. The Wire Act is just between states. Kristian Nylén Chief Executive Officer, Kambi Group Plc Yeah. Christian Hellman Analyst, Nordea Bank AB All right. Thank you. And then, another question on your net cash position, which is €27 million at the end of Q4, what's your sort of and you're not paying dividends, what do you need the cash for U.S. expansion or ...?

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Kristian Nylén

Chief Executive Officer, Kambi Group Plc

Yeah. So I mean, first of all, I mean as you have seen past the four quarters, our result can be quite volatile depending on the trading margins and I think for that reason we need to have a decent cash on hands. I think for especially when we sell to monopolies or lotteries, I think that's one of our absolute first questions we are asking about is how our balance sheet is looking. So that is one of the big reasons we need to have a very good balance sheet, however, this amount [indiscernible] (00:23:22) not for me and David's answering them [ph] the result is

about is how our balance sheet is looking. So that is one of the big reasons we need to have a very good balance sheet, however, this amount [indiscernible] (00:23:22) not for me and David's answering them [ph] the result is (00:23:26) board decision. Christian Hellman Analyst, Nordea Bank AB Fair enough. And then a question on sort of a year-over-year comparisons now in Q1, I mean, I'm thinking about the changed terms with AAA for example, what will be the impact on that in Q1, just to sort of get the numbers as close as possible to what it might be? David Kenyon Chief Financial Officer, Kambi Group Plc Hi, Christian, David. When we disclosed in Q2 last year, we said that €0.4 million related to Q1 in 2017. I guess [ph] it's can be a (00:24:09) December number in Q1 2018 probably around €0.05 million. Christian Hellman Analyst, Nordea Bank AB €0.4 million. David Kenyon Chief Financial Officer, Kambi Group Plc Yeah, €0.4 million €0.5 million. Christian Hellman Analyst, Nordea Bank AB €0.4 €0.5 million, all right. Okay. And then, that will be the end of that then from Q1 and onwards. There will be no year-over-year... David Kenvon Chief Financial Officer, Kambi Group Plc Correct. Yeah. That's right. Christian Hellman Analyst, Nordea Bank AB And I am sorry, what was it now in Q4? David Kenyon Chief Financial Officer, Kambi Group Plc It was just under €1 million.

Kambi Group Plc (KAMBI.SE) Corrected Transcript Q4 2017 Earnings Call 14-Feb-2018 Christian Hellman Analyst, Nordea Bank AB Just under €1 million. David Kenyon Chief Financial Officer, Kambi Group Plc Yeah. Christian Hellman Analyst, Nordea Bank AB So that was sort of the lion's share of that other bar in the bridge? David Kenyon Chief Financial Officer, Kambi Group Plc Yeah. It's a big cost. The rest is really kind of due to the strong results and we have obviously some tiers in our contracts, so kind of more, but the business were operated on [ph] top tier or the (00:24:57) lower commission rates, so that the other – the other part of that – of the column. Christian Hellman Analyst, Nordea Bank AB Yeah. Fine. And then, final question just on the pipeline of potential new customers, you have mentioned previously that it's been, I think you said at the Q3 presentation that it was the strongest pipeline ever, can you comment on? If that remains the same or what your feeling is ahead of the World Cup and everything that's going on? David Kenyon Chief Financial Officer, Kambi Group Plc Yeah, I think we're still extremely happy with the pipeline. Yeah, it keeps improving and [ph] and (00:25:36) last week, we had a lot to inject in the product, so absolutely a strong pipeline. Christian Hellman Analyst, Nordea Bank AB Right. And if a customer wants to and operators wants to get up and ready and have a Sportsbook ready for the World Cup which starts in June [ph] when sort of, did you have (00:25:53) to - to sign a contract with you guys to sort of make that happen if you understand what I'm asking? Kristian Nylén Chief Executive Officer, Kambi Group Plc Yeah. It's kind of starting to get urgent, I would say, but if you look at last year, I think we saw in the two operators in January and the one in April and all three of them was up before the euros or not last year, two years ago. Christian Hellman Analyst, Nordea Bank AB Right. Okay. So March, April?

Kambi Group Plc (KAMBI.SE) Corrected Transcript Q4 2017 Earnings Call 14-Feb-2018 Kristian Nylén Chief Executive Officer, Kambi Group Plc Yeah. Christian Hellman Analyst, Nordea Bank AB Okay. Thanks. That was it for me, I think. Kristian Nylén Chief Executive Officer, Kambi Group Plc Thank you. Operator: And next question comes from the line of Viktor Högberg from Pareto. Please go ahead. Your line is open. And of Viktor Högberg from Pareto, please go ahead. Your line is open. Viktor Högberg Analyst, Pareto Securities AB Yeah. Sorry, I was muted. Hi, guys. Could you talk about the potential rating of the range for the betting margin from 6.5% to 7%? You mentioned some structural changes in your operator base, could you explain why - how much, when, just go through that? Kristian Nylén Chief Executive Officer, Kambi Group Plc Hi, Viktor. Yeah [indiscernible] (00:27:09) we have started looking into it. I think we have seen some indications although that we should probably raise that range slightly, but it's too early for us to give you guidance on it at the moment. But, yeah, we see it's something about some of newer operators bringing slightly higher margins and the average. We're seeing some new betting behaviors on the existing customer base, because of the new features [indiscernible] (00:27:46) so on. But it's too early for us to give you guidance on it, yes. Viktor Högberg Analyst, Pareto Securities AB Okay. When do you think you'll know and like next quarter or within the year or...? Kristian Nylén Chief Executive Officer, Kambi Group Plc I think, yeah, we would probably give you guidance next quarter.

Viktor Högberg Analyst, Pareto Securities AB

Okay, great. Okay. Next one, surely the operator turnover index negatively affected by the record margin in Q4, but even 2015 ended at €203 million, now you're at €259 million. Given a normalized margin, what would the

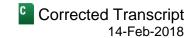
index have been in Q4 given that this is the most important online metric?

Kristian Nylén

Chief Executive Officer, Kambi Group Plc



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Yeah. Actually we have tried to understand the elasticity, but we don't really – we can't really give you a figure of it, but it has a large impact and you have to take a very simple example. I mean, if you would go to a left table and decide that we would spend SEK 100. If you put all of it in the first [ph] round and lose it, (00:28:59) you have a turnover of SEK 100. [ph] We need to double it (00:29:07) on the next, I mean, save a month of spending you have a turnover of SEK 300 instead, so I mean, obviously, it is a big impact when we go from – yeah.

Viktor Högberg Analyst, Pareto Securities AB	Q
Okay.	
Kristian Nylén Chief Executive Officer, Kambi Group Plc	A
[indiscernible] (00:29:25) to almost 9.5%, but I can't give you a figure on it, unfortunately.	
Viktor Högberg Analyst, Pareto Securities AB	Q
Would it be fair to assume, it would be – would have been above €300 million maybe [ph] the	e index (00:29:34)?
Kristian Nylén Chief Executive Officer, Kambi Group Plc	Α
I would say that it's not impossible at all.	
Viktor Högberg Analyst, Pareto Securities AB	Q
Okay. Just to know what a normalized level to work from here. So the taxes and marketing d positive effect in Q4, was that due to Belgium or?	eductibles, it was a
David Kenyon Chief Financial Officer, Kambi Group Plc	A
Two things. One, I mean, one the Belgium impact that we've seen in previous quarters just is that's no longer a deduction. But also a slight change in our customer base. So whereas previousiness in Spain, for example, with some operators there, which were there in prior years the couple of operators that have gone away from the Kambi network and pretty much bigger platoperators such as LeoVegas, Mr Green, Kindred, [indiscernible] (00:30:28) not in regulator moduty deduction. So just a very small shift, but it gives a very small and positive impacts on this	viously we had more nat no longer there, nce by growth in other narket, so no betting
Viktor Högberg Analyst, Pareto Securities AB	Q
Okay. Can you say anything about any potential relative moves in royalty rates, not just tiered but the base or so to say?	d commission rates,
David Kenyon Chief Financial Officer, Kambi Group Plc	A
I'm not sure I understand your question.	

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Viktor Högberg

Analyst, Pareto Securities AB

No. Your client base, the royalty rates [ph] that you are surely (00:31:03) under contracts that you're signing, have you seen any changes off late?

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

Yeah. I mean, yes, we have renewed the Paf, LeoVegas and the Napoleon Games contracts and so there has been some adjustments to direct and obviously, any new operator [indiscernible] (00:31:25) own separate contracts. So there are some slight changes, but nothing that is significantly changing the picture for us.

Viktor Högberg

Analyst, Pareto Securities AB

Okay. So this trader is not as large as 888, but together, will they affect, the combined effect of these renewals have a familiar effect or significantly lower or will it be noticeable in the P&L?

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

It will have some effect, but not in at all in the same range as [ph] later days (00:32:06).

Viktor Högberg

Analyst, Pareto Securities AB

Okay, great. One last question. The OpEx growth figure for 25% plus here in Q1, and will – is this to be expected every quarter or...?

David Kenyon

Chief Financial Officer, Kambi Group Plc

I'd tell you, I mean, that's probably slightly higher with a couple of factors that make Q1 different than the other quarters. But we have the ICE conference that Kristian mentioned in the presentation, kind of significant standards you saw in the picture that is quite an undertaking. So that's almost a one-off cost in Q1 every year.

And then, there is of course our – kind of natural salary inflation, where you see that's really on – I think maybe from Q4 to Q1 that – one-off impact you have there. So really going forward, I think any growth in OpEx, in future quarters is more going to be driven by any recruitment, particularly, on a IT and product development side.

Viktor Högberg

Analyst, Pareto Securities AB

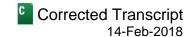
Right.

David Kenyon

Chief Financial Officer, Kambi Group Plc

As we continue investing in the product [indiscernible] (00:32:59) it's probably, yes, slightly on the higher side because of those one-off factors I mentioned.

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Viktor Högberg

Analyst, Pareto Securities AB

Okay, great. Thank you.

Operator: And next question comes from the line of Rasmus Engberg from Handelsbanken. Please go ahead. Your line is open.

Rasmus Engberg

Analyst, Svenska Handelsbanken AB

Yes, hi. I wanted to ask you. It seems to me that your dependence on Kindred increased especially in the second half of the year. Is that correct understanding what's sort of driving the discount or [ph] other bar (00:33:35) except for the 888 extension?

David Kenyon

Chief Financial Officer, Kambi Group Plc

I mean, they're kind of two separate questions, I guess. I mean, arguably the dependence on Kindred increased possibly as a percentage due to the 888 kind of renewal. So that's kind of a natural effect of that until you're bringing more external revenues. In terms of the other, as I mentioned, it's really very high margins in the quarter have obviously driven revenues to higher levels and that means more of the business of our approach is the lower commission rates in Q4 2016. So that's the other driver apart from 888 factor.

Rasmus Engberg

Analyst, Svenska Handelsbanken AB

Yeah. [indiscernible] (00:34:20) thinking that, if I look at the operator index, the turnover and the margin, I have your operators growing their gross winnings by about 30% that seems to be quite a bit lower than what Kindred did in 2017?

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

But, I mean, it's not like-for-like. In Kindred, you have some parts of the sports betting that we are not operating. For instance, we are doing quite well in France, I think. They also have the Australian horse racing and they have some games. So I mean there are three parts of our business that we are not involved in. So it's not like-for-like, so you can't really compare it in that way.

Rasmus Engberg

Analyst, Svenska Handelsbanken AB

But do you think - do you feel that your dependence on Kindred increases this year?

Kristian Nylén

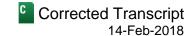
Chief Executive Officer, Kambi Group Plc

If you take the way with its renegotiation, I would say its opposite direction.

Rasmus Engberg

Analyst, Svenska Handelsbanken AB

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Okay, all right. Good. Yeah. And you talked before about what could be a fair assumption for cost growth this year, because if you say the 3% to 5% is a bit higher, I guess, we end the year on roughly 15% or perhaps slightly lower, is that realistic assumption on the cost side?

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

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Yeah. That's a fair assumption. Yeah.

Rasmus Engberg

Analyst, Svenska Handelsbanken AB

Yeah. Okay. Very good. Thank you.

Operator: And we do have a follow-up question from the line of Christian Hellman from Nordea Markets. Please go ahead. Your line is open.

Christian Hellman

Analyst, Nordea Bank AB

Hi, thanks. Yeah, I just had a follow-up or not a follow-up, it's a new question. But on the retail product that you have, if you could just speak a little bit about that and thinking about on one side, how much is it's affecting your OpEx. How much you're sort of devoting to the retail product in terms of cost and also growth potential for that product going forward? You signed a contract with NOVOMATIC sometime ago and basically what you see for that product going forward in terms of potential?

Kristian Nylén



Chief Executive Officer, Kambi Group Plc

Yes. So if we start with the cost, I think OpEx cost is almost it is very, very low. On the development side, yeah, we have some developers working on it, of course. So it is part of the full CapEx cost, but it's – I don't know if we can give you an exact figure on it. But yeah, it's a part of our current development. It's not, yeah – I think we're using [indiscernible] (00:37:41) on retail at the moment.

For revenue side, currently it's not very large part of it. Our business, we have installments mainly in Mexico, but also in [indiscernible] (00:38:00) in Cambodia and in Belgium. We have an approval. But currently it's similar business. [indiscernible] (00:38:11) potential of our – I'd stay still feel is very strong. You have to remember that of the current sports betting business revenues invested globally is still above 70%.

Christian Hellman

Analyst, Nordea Bank AB

And specifically on the NOVOMATIC deal, what could we expect from that one going forward?

Kristian Nylén

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Chief Executive Officer, Kambi Group Plc

I can't really answer that, currently we are only operating on Greentube online, but I obviously hope to get into the NOVOMATIC retail as well.

Christian Hellman

Analyst, Nordea Bank AB

Q4 2017 Earnings Call

Corrected Transcript
14-Feb-2018

All right. Okay. Thanks.

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

Thank you.

A

Operator: [Operator Instructions] And there are currently no further questions registered. So I'll hand the call back to the speakers. Please go ahead.

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

Okay. Thank you for your questions and for listening in. We look forward to updating you on the 25th of April, when we publish our first quarter result for 2018.

Operator: And this now concludes the conference call. Thank you all for attending. You may now disconnect your lines.

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