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Kambi Group Plc (KAMBI.SE)

Q1 2022 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Mia Nordlander

Senior Vice President-Investor Relations, Kambi Group Plc

Good morning, everyone. My name is Mia Nordlander. I am Senior Vice President, Investor Relations at Kambi Group. Today, I have with me Kristian Nylén, our CEO; and David Kenyon, our CFO, who will start today with presenting the quarter. Thereafter, we will have time for questions. You could either call in through the telephone conference or send them directly to me through the web chat.

So, once again, very welcome and over to you, Kristian.

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

Thank you, Mia, and good morning. I will start with a brief overview of the first quarter, after which, David will take over and go through the financial performance and then I will come back and speak more about the quarter in a little bit more depth. Oh, I forgot to show agenda here.

So the quarter, I would say that overall, we are very pleased with the quarter and I think we have a very strong financial performance yet again. We have a 25% operator turnover growth if you exclude the DraftKings' numbers from last year. Most of this turnover growth is coming from existing operators growing in new markets and most notably maybe New York online and Connecticut. And I think David will go through these numbers more later on.

As we communicated already during the Q4 report, we have extended the Kindred partnership until the end of 2026 and that gives us the financial security with the revenues from Kindred for yet another five years. And at the same time, we announced the ability to repay the convertible bond, which means that we have much, much more flexibility with our strategic options going forward.

During the quarter, we strengthened our position in North America with two new partnership signings. One is the MaximBet and the other is NorthStar, and I will talk more about them later. And just after the quarter, we launched in Ontario. There was a few really big events in the Q1. Super Bowl of course, the biggest event we have on a yearly basis, and March Madness, the playoffs in the college basketball in the US. I will go through our product performance later on. But I'm very happy to see that we managed both these events without any disturbance whatsoever.

With that, I hand over to David and I'll come back later. Thank you.

David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

Thanks, Kristian. So overall, I'd say we saw a very strong financial performance this quarter. We continue to be profitable, we continue to be strongly cash flow generative, and we have a powerful balance sheet which positions us well for continued growth. When you see the comparatives, of course there will be some headwinds that we've mentioned previously.

But just to reiterate the DraftKings migration that took place in the second half of last year, that's obviously shows in the numbers in Q1 last year that this DraftKings numbers are present. There's nothing in here in the Q1 2022 numbers. And also in the Netherlands, where some of our operators are still to obtain our license. And of course Q1 2021, again, there are figures included for Netherlands for those operators.

But, I'd say operator turnover was extremely strong this quarter and combined with an 8.2% operator trading margin gave us an overall revenue figure for the quarter of €36.9 million. Costs of €29.5 million were in line with our expectations and this gave us overall an operating profit of €7.3 million. That's an operating margin of 19.9%.

We also generated €5.5 million in terms of cash flow from operating and investing activities, excluding working capital movements. And this gave us a net cash position at the end of the quarter of €72.4 million. And this gives us firepower to continue using our balance sheet in the future, whether for M&A or for further share buybacks.

This is the Kambi turnover index. It's an aggregation of the results of all of our operators in the quarter over time as well. The blue bars is an aggregation of the turnover generated and that's on an index basis which we set at 100 when we started the business. The orange line is an aggregate of the trading margin made by the operators. That trading margin was 8.2% this quarter.

More on the turnover then, at 757, though, it's consistent with Q4. And I think this is largely driven by the sporting calendar. So there's some quite big factors here to explain. First, the American football, Q4 saw a full quarter of activity, whereas in Q1, we just saw the playoffs and the Super Bowl. And the last few matches of the college football season.

However, in basketball, this offset the American football effect. We had a full quarter of college basketball, including the March Madness tournament. On the European football front, there were actually quite a lot fewer matches in Q1 and Q4 with – in the Champions League as it moved from the group stages to the knockout stages. So overall, 757, roughly in line with where we expected to come.

Probably more explanation needed on the movement from last year, on the 1,056 down to 757 and I've set these out on this slide. Firstly, the headwinds I mentioned previously. So the DraftKings migration which took place during the second half last year, that's actually contributed approximately 40% of last Q1's turnover. So, a huge part of this come out versus this year. And secondly, the Netherlands regulation. As mentioned, a few operators

are yet to obtain a license and we look forward to that happening, which will be a tailwind to our business when that does happen.

But then on to all the factors which have actually boosted our turnover versus Q1 last year. Firstly new operators, we've signed quite a number since this time last year and some of those include BetCity and JVH in the Dutch market and the Belgian National Lottery, and we're very pleased with the progress of these operators.

We've also launched into various new states in the US including Arizona, Connecticut, Louisiana and most recently, New York online, all contributing now to the Q1 2022 numbers. And we've seen our existing operators grow both organically and expanding their geographical footprint. So all in all, excluding that DraftKings number, 25% growth in operator turnover, a number we're very pleased with.

Finally, I just want to talk you through the Kambi revenue conversion, so how that 28% decrease in operator turnover after FX ended up in just a 15% decrease in revenue. First thing to mention there, the operating margin, the 8.2%. That's against 8.5% of Q1 last year. So, a small negative for us on the margin front. But the biggest impact is in the other column there which pushes up the deficit from 30% to just the 15% overall.

The biggest factor here is the way we structure our contracts. So, we structure our contracts in many cases with tiers with significantly lower commission rates on the highest parts of the operator activity. So, you can understand when we lose a big operator such as DraftKings, overall, we end up with actually a higher effective revenue share across the network.

Secondly, we have more live events here in Q1 2022, which is not linked to the operator turnover but does drive revenue for us. We also have other fixed revenues which again are not linked to the level of operator turnover and are pushing that other bar up. And finally, we had a full quarter of Abios revenues, the acquisition we made in the end of last year, which again is not showing in the Q1 2021. All of those contributed to overall 15% deficit in revenue, but, yeah, significantly lower deficit than the operator turnover would initially indicate.

So yeah, very strong financial quarter. And with that, I'm going to pass you back to Kristian.

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

Thank you, David. So, we have four key pillars that drives our strategy and we usually try to update you on some of the progress here. And this time, we have a progress when it comes to our core platform and our differentiation and empowerment. So first, I would like to talk a little bit about our modernization strategy. As I have communicated before, this firstly developed – driven by increasing our efficiency in our own IT development and by modernizing the service more and more, we get higher efficiency in our development.

Secondly, we believe that with this modernization, we will be able to give our existing partners greater possibilities for differentiation. And finally, and where we are hope to go by the beginning of next year is to start launching modules as a stand-alone service and create new revenue streams. This quarter, we have done quite a lot of progress on what we're doing, especially on when we talk about the data and pricing interface where we, within a few weeks, will be able to start launching our first internal pricing unit through this interface.

And in the summer, we hope to be able to push all Abios new orders product through this interface. On the frontend, we have also started with an implementation of what's called GraphQL that enables more flexibility for data queries from our customers [indiscernible] (00:10:38) to create the stronger frontend on our APIs. And we are in the process of creating new standalone services. And I will communicate more about that in future quarters.

Another thing we have been working on and launched this quarter is automated offering filtering. With more and more complexity, with more and more regulations across the world, it becomes very important for us to be able to automate some of our filtering for what we can offer in different regulations. And I can take some examples.

In Sweden, you're not allowed to offer events on under 18 players. In New York, you're not allowed to offer the college teams in the state or matches played in the state and so on. In many different regulations, many different rule sets, and you can solve this manually but it opens up for a lot of mistakes.

So, with this, I think we have tightened up the risk of making any mistakes even though we have been very, very good at delivering a compliant product. It also makes it much, much more scalable and cost effective. And finally, it creates much wanted speed to market. We have a very, very high quality product from day one.

Bet Builder. During the quarter, we have launched both ice hockey and baseball Bet Builders. And as you can see, I showed this graph last time so I won't go through it too much this time. But as you can see, we are comparing very, very well to market leaders when it comes to this product.

During Super Bowl and March Madness, we did some internal product benchmarking against the top three operators in the US. And as you can see on this graph, in our perception at least, we hold up very, very well and I will say especially on the live betting, we are a stronger supplier of it than any of the existing market leaders at the moment. We can deliver when it comes to the product.

I think there is one big gap for us at the moment and that is the Bet Builder on basketball which takes down our grade internally on basketball. But this is intentional. We knew that we wouldn't be able to produce a Bet Builder to the start of this season. So we chose to do baseball first and we will be ready with the Bet Builder for the basketball season next year.

During the quarter, we did 11 partner launches in various states. Of course, and maybe the most important of these launches was to – on day one, the online [indiscernible] (00:14:21) on the market opening in New York State.

We have two partner signings as well. MaximBet that we signed a multi-year sportsbook partnership with. And we are very soon to be launching the first states with MaximBet. And the NorthStar Gaming, which I hope will be a very strong local player in the Ontario market. And I think we are very close to be able to launch with them as well.

Talking about Canada, Kambi is now live in Ontario with Kindred, LeoVegas, and Rush Street. We became one of the first sportsbook providers to obtain a regulatory approval to launch in Ontario. There are still some of the big ones who haven't been able to launch in the states.

As of now, since yesterday, I think it was the 3rd of April. We are up and running with three partners, as I said, and Ontario has every chance to become one of the largest sports betting markets in North America and Kambi has and very, very strong product. With our Scandinavian heritage, we are great at ice hockey and, of course, that's also the most popular sport in Canada.

I wanted to touch a little bit on the sales opportunity we see at the moment in the world actually. So if I start in US, I mean, obviously, there are still a few multi-state operators that are very interesting to win and I think we have some decent chances of doing that. But also, I think various many states that hasn't opened yet and some of the

larger states are still up for grabs especially in California. We believe that it will be very much a state that is dominated by local players. And of course, I think, California is almost a third of GDP in the US. Texas, the second largest state in the US, is also progressing well.

In Latin America, Brazil is nearing regulation. It's a massive country. And I believe we have some great opportunities there as well. And in Canada, there is still some big local brands yet to select [ph] first (00:17:13) sportsbook partner, and I hope we have a great opportunity there.

In Europe, as I have communicated before, we definitely see that there are Tier 1s considering their strategy and may have been in-house before and looking at an outsourcing strategy now, or in some other cases, changing from existing third party supplier.

And finally Asia, it's a more of a longer term prospect, of course, but I mean, it's a huge market when it happens. We see that it's moving in Philippines already, but what we really are looking forward for is what we see tendencies of movements in both Japan and India.

During the quarter, we have also been recognized by Global Gaming Awards as the Best Retail Supplier and the Best Online Sports Betting Supplier. This is awards, of course, that is voted by peers in the industry. So, we are very proud of winning these awards yet again.

In addition, I also wanted to point out, but Eilers & Krejcik, who is doing a report on sports betting apps in the US, pointed out that their testing during the quarter indicate that Kambi is definitely a third-party supplier of choice in the US. And we are powering three of the top 10 apps in the US. And last night actually, we won yet another award as the top sports betting supplier by EGR North America.

I just want to remind you that we are, [ph] yes just (00:19:24) last year coming back to Kambi's Festival of Sportsbook this year and that will be held on the – what's the date?

Mia Nordlander

Senior Vice President-Investor Relations, Kambi Group Plc

23rd to 27th.

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

23rd to 27th of May.

Mia Nordlander

Senior Vice President-Investor Relations, Kambi Group Plc

Yes.

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

And you can register on www.kambi.com/festival.

And to summarize the quarter, the financial performance remains very strong. We're very happy with the numbers we can produce. Very much as I pointed out on the sales slide, momentum continues to build across Americas

and we hope to see a lot more regulation going on. And the proven product excellence we can show for is really driving success going forward. Thank you very much.

Mia Nordlander

Senior Vice President-Investor Relations, Kambi Group Plc

Thank you, Kristian Nylén and David. And now it's time for questions. So, if you want to ask a question, you can either call in or send them through the web. We will start with a telephone question. So over to you, operator.

QUESTION AND ANSWER SECTION

Operator: Thank you. Our first question comes from Oscar Rönnkvist from ABG. Please go ahead. Your line is open.

Oscar Rönnkvist

Analyst, ABG Sundal Collier AB

Q

Hi, guys, and thank you for taking my questions. A few ones from me. So first, I wonder if you had any comments on the convertible bond. If you could elaborate on the benefits that you see once you can repay it.

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

A

We don't really have more comments than last time. There are some benefits, I don't really want to elaborate very much about it, but obviously, we create more freedom for ourselves if and when we decide to repay the bond.

Oscar Rönnkvist

Analyst, ABG Sundal Collier AB

Q

Okay. Got it. So, is there any specific reason why you haven't repaid it yet?

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

A

Yeah. Again, I really don't want to comment on the specific reasons, but there are some benefits of not repaying it and we – but we can do it whenever we want to do it and I think that is the most important thing to know.

Oscar Rönnkvist

Analyst, ABG Sundal Collier AB

Q

Okay. Got it. So next one, just roughly speaking, when do you expect it could be possible to see your first client signing for a modular offering, i.e., not taking your turnkey solution? So just to clarify, I mean, the timing when you could potentially start to negotiate deals if that will be distinguished from the development.

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

A

Yes. As I have mentioned, I think realistically early next year is probably when you will see us starting taking deals on the modular service.

Oscar Rönnkvist

Analyst, ABG Sundal Collier AB

Q

Okay. Understood. How do you see the competitive landscape developing? So for example, I know that Pragmatic Play recently entered the sports betting market and signed what it seems to be quite an interesting client. So just do you have any comments on the competitive landscape?

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

A

I mean, in general, I would say that the landscape is less competitive now when it was a few years ago. I think we were – especially SBTech disappearing from the market as a B2B supplier. I think we have seen less of a competition than last year. There will obviously coming new entrants to the market but I feel we have a very, very unique position as a top tier provider of sports betting services.

Oscar Rönnkvist

Analyst, ABG Sundal Collier AB

Q

Okay. Got it. Just a final one. Is it possible to get a comment on current trading for the start of Q2? So, like anything on the sporting events. Is it like punter friendly results, anything on the start of Ontario, and any comments would be helpful.

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

A

Sorry. We have always refrained from comment on it, since many of our operators are listed as well and we let them comment on the start of the quarter.

Oscar Rönnkvist

Analyst, ABG Sundal Collier AB

Q

All right. Understood. That was all for me. Thank you very much.

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

A

Thank you.

Operator: Thank you. [Operator Instructions] Our next question comes from Viktor Högberg from Danske Bank. Please go ahead. Your line is open.

Viktor Högberg

Analyst, Danske Bank A/S (Sweden)

Q

Yeah. Good morning. So could you help us with Abios? How much it contributed to revenues and the results for OpEx in Q1?

David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

A

Sure. Yeah. It was approximately €0.5 million on revenues and around €150,000 on an EBIT level from Abios.

Viktor Högborg

Analyst, Danske Bank A/S (Sweden)

Q

I think you said in – thank you. I think you said in Q4 that Abios revenues were somewhere between €0.5 million to €1 million on a quarterly basis. Is that still true? What to expect going forward? And just the momentum in that business now that you're part of it and can start to cross-sell?

David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

A

Yeah, I mean, typically, I mean, for this year, we're going to be seeing between €0.5 million and €1 million I'd say, maybe towards the low end of that range of it. But yeah, that would typically be the quarterly revenue number. And hopefully at a profitable basis like we saw in Q1.

Yeah. And then in terms of the future, I think when they since start selling [ph] their odds (00:25:39) product I think that will be the real kind of boost to that business from those numbers which are already profitable without it but that could be the real boost.

Viktor Högborg

Analyst, Danske Bank A/S (Sweden)

Q

And timing for that potential time?

David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

A

I think second half of this year is best estimate.

Viktor Högborg

Analyst, Danske Bank A/S (Sweden)

Q

Okay. What are you hearing on Brazil? You didn't mention it in the Q1 report and the regulatory status there. So, what's the latest for you? What are your thoughts on sports betting and potential timing for go live once regulated?

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

A

Yeah. I mean, it's impossible to speculate. I mean, we have seen it before. I mean, my favorite example is the Dutch market that took over a decade from when we started talking about it. So, we still hope very much and it's good indication that it could happen this year, but it's impossible to speculate about it.

Viktor Högborg

Analyst, Danske Bank A/S (Sweden)

Q

Okay. And on the Dutch licensing for your clients, you said that you're expecting the headwind to ease soon. That's more than some operators have said on the situation. What's the latest in terms of potential licensing in the Dutch market?

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

A

Again, I mean, we are not the ones who have a direct contact with the regulators. So, I think it's probably better for you to ask that question to the operators than us.

Viktor Högberg

Analyst, Danske Bank A/S (Sweden)

Q

Since you said it, I think you have – I assume that you have indications that it might be soon. And would soon be licensing during Q2, live in Q3?

David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

A

We hope [ph] we have the (00:27:35) indications.

Viktor Högberg

Analyst, Danske Bank A/S (Sweden)

Q

I'm sorry?

David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

A

We have hope we don't have indications.

Viktor Högberg

Analyst, Danske Bank A/S (Sweden)

Q

Okay. But have you seen anything change? If I put it like that, changed outlook in either way in terms of timing?

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

A

As we've said, I mean, we don't have a direct contact with the regulator. We can be up and running with a flick of a switch. So, it's – you have to ask that question to operators.

Viktor Högberg

Analyst, Danske Bank A/S (Sweden)

Q

Okay. So one thing that you do control, the OpEx development and the OpEx guidance. Given the Q1 level and also the guidance for Q2, it opens up for quite a wide range for the second half given that the range is €10 million, [ph] 125 times 35 (00:28:29) in yearly OpEx this year. So, could you help us with what's reasonable to expect and why did you keep the range this big given that you're guiding for half of the year?

David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

A

Yeah. I mean, there's obviously a lot of uncertainty at the moment in the world with a lot of inflation around, be it through data costs in other parts of the business as well. So, there were some uncertainties when we come to forecasting costs. I think we've always been quite accurate in the ranges we've given and the numbers we've hit. So, I can't tell you right now where we'll be but that's why we've given quite a big range. And it can be driven by head count, can be driven by the number of new customers, by new regulations. There's still quite a few things that are out of our direct control. So, yeah, hopefully, just trust in that range and we're confident we'll hit it.

Viktor Högberg

Analyst, Danske Bank A/S (Sweden)

Q

Okay. And speaking of inflation, can you do anything on pricing? Is that a part of the discussion? It's not really applicable to your service maybe, but have there been any discussions on pricing given what everyone are seeing under input costs?

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

A

I think most of our pricing is based on revenue share and that would be quite odd if we changed that due to inflation, I think. Of course, we have some fixed revenues that are just based on the data cost. And if the data cost goes up, we will, of course, be covered for about in higher fixed revenues as well.

Viktor Högberg

Analyst, Danske Bank A/S (Sweden)

Q

Okay. And final one for me on, in the CEO letter in the Q1 report, you had something on the maneuverability that the changed amendments or the amended terms with the Kindred and the convertible bond gives you that will enable you to add value for all stakeholders. And I think you would, I mean, shareholders without one. So, I think it's quite clear that the investors in the market have quite a hard time to understanding the bullish commentaries around the pipeline and this Kindred deal and also the buybacks last year. So, maybe if you could help us a bit understanding. On a previous question, you said you didn't want to comment on the flexibility with the deal. But I think you might have to add some color to it for people to really understand. There are a lot of question marks on the path going forward and whatever you could do to help with that would be good.

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

A

Yeah. I mean, what I can give is I mean, I think and hope, but most of our listeners are quite aware of what kind of covenants you have around a bond. And I think that it should give you quite a good indication of what kind of more flexibility we get by being able to repay the bond if we were to choose to do so. I can't really give you anything more on that at this point.

Viktor Högberg

Analyst, Danske Bank A/S (Sweden)

Q

Okay. Thank you very much.

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

A

Thank you.

Operator: Thank you. The next question comes from Valter Lindhagen from Pareto Securities. Please go ahead. Your line is open.

Valter Lindhagen

Analyst, Pareto Securities AB

Q

Hi. And thanks for taking my questions. There was a question regarding the second quarter there and you didn't want to comment on the start of the quarter. But could you say anything about kind of, what year-on-year impact do you expect of not having the Euro football championship this year, that you had last year? If you could give any flavor on that impact?

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

A

Yeah. And I think – I mean, it is a World Cup year, but it's a very, very strange World Cup year. We have a World Cup not coming until November and December. So, the effect we normally see in a World Cup year will definitely not be here in Q2, and you should treat Q2 more as one of the years when we have no big tournament.

Valter Lindhagen

Analyst, Pareto Securities AB

Q

All right. I got it. And then a question regarding Kindred. I mean, there are a few – it has past a few months now since the news regarding the convertible bond. And I was wondering if you could share anything regarding reactions from your existing clients on your – on the ability that you now have to [ph] reclaim this bond (00:33:39).

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

A

It has not been that much reactions at all I would say. I think they are – yeah. Most other customers doesn't really – it doesn't impact them with that news at all, so not much of a reaction at all.

Valter Lindhagen

Analyst, Pareto Securities AB

Q

All right. Thank you. That was all for me.

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

A

Thank you.

Operator: Thank you. The next question comes from – coming from [indiscernible] (00:34:15). Please go ahead. Your line is open.

Q

Thanks for taking the question. Just one for me. You highlighted in the presentation that some of your Bet Builder capabilities, more specifically in the NHL and MLB give you a competitive edge compared to some of your peers. You also in the release provided some stats on soccer and that Bet Builder was responsible. I think it was kind of 15% of all pre-game bets. I was wondering if you could provide any additional color on the stats for NHL given your competitive edge here. Thanks.

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

A

I would be happy to share if I had them in front of me. I think what you can do is to go back to Mia later on and she can provide it for you.

Mia Nordlander

Senior Vice President-Investor Relations, Kambi Group Plc

A

In general, it's a very popular product and that's what we've seen here as well because I think that's a key message, very popular product and – which we will see now launching in more sports and will be beneficial for Kambi and our market leading position. But if you want more stats, please reach out to me afterwards.

Q

Okay. Brilliant. Thanks very much.

Operator: Thank you. There appear to be no further questions. I'm going to turn the conference back to you.

Mia Nordlander

Senior Vice President-Investor Relations, Kambi Group Plc

A

Okay. Great. We have quite a few questions here on the chat as well. I think we start with the first one to you, Kristian. What's your view on the long-term market share in the US? Do you expect it to be similar like today or could it change? Yeah.

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

A

I mean, it is very hard to guess to be honest. I mean, with the big swings on some of the big operators, it is tough to have a good guess on it. But, I still believe very much about we will also see especially in a state like California much, much more of local operators getting very large market share. So I think, yeah, where we have been looking at lately [indiscernible] (00:36:36) I think, 15% market share would be a great number to strive for.

Mia Nordlander

Senior Vice President-Investor Relations, Kambi Group Plc

A

Okay. Thank you. Another one for you, Kristian. Is the pipeline as strong as ever or has anything changed? What do you say?

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

A

I'm very, very pleased with the pipeline and I hope that we will be able to announce a few more deals during the year. And as I showed on the picture earlier, I mean, it is all over the world at the moment that we have good prospects. So, very pleased.

Mia Nordlander

Senior Vice President-Investor Relations, Kambi Group Plc

A

Okay. One question for you, David. Quite a few about buybacks, what's your view there and the strategy going forward?

David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

A

Yeah. I mean, I think we've clearly demonstrated a few months ago that we have to use a balance sheet both for buybacks but also acquisitions when we made an acquisition in Q – end of Q3 last year. So, I wouldn't rule it out, but equally, I think – more importantly, I think, we've got that strong balance sheet now that gives us the firepower

either to use it for buybacks or M&A as we see fit. We will do something with the balance sheet as well as maintaining a strong core which our customers rely on as well that we do have that strong balance sheet.

So, definitely wouldn't rule it out and that we're actively monitoring it I would say.

Mia Nordlander

Senior Vice President-Investor Relations, Kambi Group Plc

A

Okay. Thank you. Another one from – for both of you, actually. When do you expect to see year-on-year revenue growth again? Is anything you can comment on?

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

A

I'll leave it to you, David.

David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

A

But then do forecasts. I mean, [ph] you've got to make (00:38:20) most of the tailwinds. I talked about new customers, new states and organic growth. I mean, those are the three things that are really going to drive revenues for us. I'm not going to put a date on it when we get growth, but, those three things plus the seasonality we were seeing in Q4, Q1, those are the real tailwinds in our business. So, we're just going to keep selling, delivering the best product and yeah, the revenue will come.

Mia Nordlander

Senior Vice President-Investor Relations, Kambi Group Plc

A

Yeah. And we won four awards, so or three awards – two awards for prices. Kristian, could you expand on the Tier 1 considering outsourcing strategy?

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

A

Yes. So, I mean, I can't obviously give you any names, but what we see in Europe now is what, I mean, there are quite a few operators who are looking at what they have in-house. They struggle to keep up with the competition when it comes to a product and they need to do something to be able to be competitive in their markets.

So, I can't give you any names. But it's definitely something we are very, very positive about the – for the future.

Mia Nordlander

Senior Vice President-Investor Relations, Kambi Group Plc

A

Okay. Thank you. Quite a few regarding the modernization strategy. Is there a risk that the current customers are trading down with this strategy?

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

A

I think that is one of the pieces that we are still not finished with, when it comes to developing the services. Obviously, we are not really keen on modernize in a way, but cannibalize on our existing fully managed services. So, that's something we are very tightly looking at.

Mia Nordlander

Senior Vice President-Investor Relations, Kambi Group Plc

A

Okay. Thank you. And here's one for you, David. Can you please comment on how flexible your operating expenses are?

David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

A

Yeah. I mean, that's – well, it's been flexible. Insofar as a lot of its fixed. And the variable part that we see that flexes up or down with new states or new customers is quite small, and they're probably 10% to 20% of the cost basis is that kind of variable part. But I'd say as long as we're delivering revenue growth and keep doing the right things that I talked about previously, then that scalability that's inherent in the business model will lead to increased profits ultimately.

Mia Nordlander

Senior Vice President-Investor Relations, Kambi Group Plc

A

Yes. Then we have a question regarding Asia. You haven't really explored Asia before, and today, you released some comments on it. Can you elaborate a little bit more about the markets and the possibilities? You said it was a bit longer and further ahead but [indiscernible] (00:41:15).

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

A

Yeah. And the reason we have not really explored Asia is that we are trying to stay in regulated markets. We see some things happening in Asia, but this is looking very positive, and I think, yeah, closest to is the Philippines, but is looking at having some sports betting licenses as it looks like.

But for, yeah, India and Japan, it's far away. I said before when we commented on it that it's probably on the horizon three to five years, and I still believe that is the case.

Mia Nordlander

Senior Vice President-Investor Relations, Kambi Group Plc

A

Okay. Here is one question about operating margin. We raised it a few quarters ago and now with a Bet Builder, do we expect to raise that or – the guidance I mean?

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

A

Yeah. We have raised it several times during the last couple years. We are always monitoring it, and it's not impossible, but we are raising it. But there is also a possibility that we are pushing for a slightly improved paybacks to the customers as well, especially on the Bet Builders where we have very, very high margin at the moment.

Mia Nordlander

Senior Vice President-Investor Relations, Kambi Group Plc

A

Okay, great. And I think we have the last question. [indiscernible] (00:42:48) using Kambi sportsbook in Canada.

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

A

They are not – it's under the Score brand, and they're using the same provider that we had in, yeah, that was Score in US.

Mia Nordlander

Senior Vice President-Investor Relations, Kambi Group Plc

Okay. Thank you very much, and thank you for your questions and for listening into our Q1 report. I am – we will present our Q2 report, 27th of July. So, I really hope I will see you then again. So, thank you very much and have a good day.

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

Thank you.

Mia Nordlander

Senior Vice President-Investor Relations, Kambi Group Plc

Thank you.

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