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# Kambi Group Plc (KAMBI.SE)

Q3 2022 Earnings Call

## CORPORATE PARTICIPANTS

**Mia Nordlander**

*Senior Vice President-Investor Relations, Kambi Group Plc*

**David Richard Kenyon**

*Chief Financial Officer, Kambi Group Plc*

**Kristian Nylén**

*Chief Executive Officer, Kambi Group Plc*

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## OTHER PARTICIPANTS

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**Viktor Högborg**

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**Ed Young**

*Analyst, Morgan Stanley & Co. International Plc*

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## MANAGEMENT DISCUSSION SECTION

**Mia Nordlander**

*Senior Vice President-Investor Relations, Kambi Group Plc*

Good morning, everyone. We are here today to present our Q3 2022 Report Presentation. And today, with me, I have our CEO, Kristian Nylén; and our CFO, David Kenyon. We will start to present the quarter. And after the presentation, you are very welcome to send your questions through the website, or you can also call in to ask them here.

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

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**Kristian Nylén**

*Chief Executive Officer, Kambi Group Plc*

Thank you, Mia. So, yeah, good morning, everyone. I will begin with a brief overview – turn to the next slide, please – after which, David will go through the financial performance. And after that, I will go in a little bit more depth on the quarter before we're taking some questions.

So, highlights of the quarter. First of all, I am quite pleased we have a 12% operator turnover growth during the quarter. Q3 is notoriously a very weak quarter of the year; very little sports going on. Especially since we started in the US, it has become even higher seasonality impact since the two big sports, the American football only has one month in September, and the basketball doesn't start until mid-October.

This year, we also have some extra headwinds with DraftKings having some turnover in – earlier of a quarter. And we also, last year, had a big soccer tournament, the Euros which had – we lost matches last year. More about the impact of that; David will talk about.

We also are in a down, tough global economic situation. I would say, for us, the impact is a little bit softened since we have a lot of business in the Americas where the economics looks slightly better. And also, we have a very strong currency in the dollar. Outside of that, I think we have done five signings during the last three months. So, very happy about where we're going there, especially, Great Canadian that came after the end of the quarter; is a great signing, which I will talk more about later on.

During the quarter, we also signed front-end specialist, Shape Games, which will have a great impact on our offer, where they are having a front end, which is something very much desired by our prospects, and it fits very, very well into our story, and I will talk more about that later. And finally, we have identified Bet Builder as the first product we will go with a modularized offer, and we'll talk more about that later. And the plan is still the same. We're planning to launch this for a market in Q1.

But first, over to you, David.

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## David Richard Kenyon

*Chief Financial Officer, Kambi Group Plc*

Thanks, Kristian. I'll turn to slide four.

So, yeah, we saw overall a robust financial performance this quarter. We continue to be profitable. We used our powerful balance sheet to fund the purchase of Shape Games. And we look forward to a very busy sporting calendar in Q4. Revenue of €36.7 million was driven by operator turnover growth of 12% and an operator trading margin of 9.5%. And as against the comparative, you see there €41.6 million, which included around 30% from DraftKings in its last quarter under contract with us last year.

Costs before FX and before the Shape acquisition or cost of Shape, which we added to the P&L, were €32.8 million, which was in the forecast range we gave last quarter. And this led to an operating profit of €3.9 million for the quarter at a margin of 10.6%. The net cash position of €38.1 million reflects the €35 million we used to acquire Shape Games during the quarter. The agreement with PENN that we announced recently has seen the €12.5 million termination fee paid after the quarter-end. So, I can expect this cash balance to increase significantly during Q4.

Turning to slide 5. This is the operator turnover index. It sets out an aggregation of the results of our operators. The blue columns are an index turnover across the portfolio, and the orange line is the operator trading margin. Again, aggregated across the portfolio. This trading margin for the quarter was 9.5%; very high this quarter against 9% in Q3 last year. Year-on-year, the turnover went from 573 to 640 despite this increase in operator trading margin. And actually it should be noted, there were some factors increasing the comparative that we're against, the 573.

So, firstly, DraftKings. The tail end of their business actually did fall into Q3 last year. So, that added around 40 to the index in Q3 2021. And also the last seven matches of the Euro 2020 soccer tournament also in Q3 last year, which added around 20 to the index. But these positive last year were offset now by this time this year by a number of factors, including new customers we launched since then and new markets we've launched into Connecticut, Louisiana, New York, amongst others.

I really want to drill down into that 640 because it's quite an interesting quarter. We start with July with very kind of a quiet sporting calendar. Then during August, we see the return of the major European soccer leagues, and then in September, in the middle of the month, the NFL season starts. So, we see a very rapid progression of the index turnover during the quarter, up to 257 in the month of September.

Rolling that forward into Q4, in October onwards, of course, we'll see full months of NFL and soccer. The NBA season also started last week, and the college basketball season will begin in mid-November. On top of that, the soccer World Cup also starts in mid-November and runs for a month before the major European soccer leagues resume in short order after that. So, I think the Q4 sporting calendar is going to be extremely busy. And the September run rate you see here should be exceeded each month in Q4.

Turning to slide 7, the revenue conversion chart. So, constant exchange rates, operator turnover was up 5% on Q3 last year. This was boosted by the dollar being stronger than last year versus the euro. This grew the growth to 12% in total. As I mentioned, the operator trading margin was higher than last year at 9.5%, up from 9%, whilst tax and marketing deductibles also higher than last year with increased taxes that we shared in the Netherlands, Connecticut, and New York, amongst others.

The biggest factor on this chart, of course, is in the Other column, and it's a significant negative impact this quarter. The biggest single item there is DraftKings. So, in Q3 2021, approximately 30% of our revenue came from DraftKings, and the vast majority of that was shown in the Other column in Q3 last year. That, of course, disappears this year. But that negative is offset by – to some degree, by fixed revenues from Mohegan Sun, by our revenues from Abios, and also by the revenues from Shape, which accounted for around €1 million in the month of September. So, the net effect of all those items is a 12% decrease in our revenue to €36.7 million.

Turning to the cash flow on slide 8. So, our opening cash balance at the start of the quarter was €81.6 million. And as you see, the biggest single item affecting the cash was the acquisition of Shape. We used €35 million of our cash, and that took the closing balance to around €45 million. As I mentioned, I think this balance will increase significantly during the quarter. Not only do we expect the very busy sporting calendar to generate good results, but also the recent agreement with PENN has seen that €12.5 million come into the bank for Kambi since quarter-end.

And finally, I wanted to introduce Shape Games. From a financial perspective, we bought a profitable and fast-growing company. They work with a number of major operators including Danske Spil, Norsk Tipping and JACK Entertainment. The revenue model works in a number of ways that they offer in different ways to different operators, but it can be either through fixed fees or revenue share or on a per-resource basis. The biggest cost they have is their staff. They have around 70 staff mainly based at the head office in Copenhagen, and we look forward to a successful partnership going forward.

So, with that, I'll hand you back to Kristian.

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## Kristian Nylén

*Chief Executive Officer, Kambi Group Plc*

Thank you, David, and I will continue on Shape. So, I mean, we are always looking to improve our offering. And I think one area where we have, for a long time, taken a very conscious decision is to not invest in a native front-end applications. At this point, we felt that this is something that more and more of our prospects and customer base are asking for. And therefore, we have, for some time, been partnering up with especially Shape when it comes to native front ends. So, this deal was very natural for us. We knew the company very well, and we felt that we had a very good culture fit. But on top of that, I mean, what we get here is a front end that is very customizable that gives our operators even more differentiation capabilities.

They have also developed a wide range of engagement products such as an AI-driven recommendation engine. They have a lot of social features, and they have a free-to-play application as well, what JACK Entertainment are

currently using, waiting for the Ohio – state of Ohio to regulate. So, in short, I think we have taken a major leap when it comes to user experience. And I think Shape Games is a great fit for us, and [ph] it comes (00:11:55) as David mentioned, we have some fantastic customers [ph] themselves (00:11:59). On top of that, I think Shape Games can really benefit from gaining access to our partner network and possibly make a few customers of our existing customers.

We have been talking a lot about modularization over the last couple of quarters. And that plan is still progressing very well. Now we have come to a decision that the first product we will modularize is the Bet Builder. The Bet Builder, I think we have been winning awards because we have a very standout product in the market. Now, with basketball being launched just in time for [ph] around the (00:13:01) NBA season. We have a full suite of the US sports and, with that also, the five biggest team sports for the Kambi network.

We have looked a little bit on the interest, and we feel that there is definitely an interesting market, and it will make us – give us a possibility to penetrate a market that we have currently not really have an access to. So, we're really looking forward to this. The plan is still to go to market with modularized services in Q1 in 2023.

We have done a lot of signings. In the last three months, we have done five signings during Q3; four of them. Oaklawn, which is – have been a customer of ours through Churchill for some time. But now we have a contract with them on their own. And with that, we also added the online to what we had before in retail in Arkansas. We have ilani, which has a very large casino in Washington State, which means that we entered the 19th US state with Washington. I think this is a state that we foresee being only retail for some time. So, having one of the best located casinos in the state is very, very good for us.

Thirdly, we have Mohegan, which we have had a relationship online. But now also, we have an on-property deal launching in two casinos in the state of Ontario. And lastly, on this slide, we have Ondiss, which are operating in Argentina, and with this agreement, we can expand our reach in the – in Argentinian market; from three provinces currently to potentially 10. So, very happy about that.

Of course, we have also been busy with launches, and of course, the biggest one this quarter has been reentering the Netherlands with Kindred. And as Kindred reported themselves during their Capital Markets Day, they have done better than they expected. And, yeah, they're taking quite a decent share already of the market in the Netherlands again. We have, of course, as I mentioned earlier, launched the two casinos in – no, the online sportsbook for Mohegan in Ontario. And finally, we have done six partner launches in the US. Two of them worth mentioning is the first entry for MaximBet in Indiana, and also we have launched PENN in the state of Kansas.

After Q3, we have done probably what I believe is the most important deal to talk about here, and that is the Great Canadian Entertainment. Great Canadian is one of the largest casino operators in Canada. And we will be launching in 10 properties in Ontario to start with. Great Canadian is also owned by Apollo, which owns numerous other gaming assets. So, hopefully, that means that we have an easier access to some other potential partners in the future.

We also mentioned, after Q3, we have come to an agreement with PENN. This agreement means that PENN will stay on for retail to somewhere in 2024. More importantly, it also means that we will receive \$27.5 million in early termination fees, but also a transition fee that will be spread out over the remaining period here. We have agreed to cooperate with some additional state launches. We have done Kansas just recently, and we have a few others that we will do late this year or early next year. I think it's very important also to point out that, during this time up until they leave us, we will, of course, continue to make commission on their revenues for the part of the business

that we continue to operate, which is more or less everything we operate now up until Q3 2023. And after that, all of their retail properties for another period of time.

So, to summarize the quarter, with that acquisition of Shape, I think we're taking a major leap forward on the user experience side. I believe we are putting ourselves in a great position with the product we have at the moment. We have a very positive commercial momentum with five signings during the last three months and, most notably, as I mentioned, Great Canadian. And I also would like to mention that the pipeline remains still very strong. And I think we're very well positioned to withstand the global economic outlook. I think B2B business will thrive going forward. And also the sporting calendar is at its busiest, and we're looking forward to see all the big US leagues up and running soon, and we're looking forward for World Cup in November and December.

So, with that, thank you very much, and let's take some questions.

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## Mia Nordlander

*Senior Vice President-Investor Relations, Kambi Group Plc*

Yes. So, thank you very much, Kristian and David. It sounds like you are pleased with the quarter despite a very quiet sporting calendar and are very excited about the future. As I mentioned in the beginning, you can either send the questions to me here through the webpage, or you can call in. So, we're going to start with the questions from the phone. So, over to you, operator.

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## QUESTION AND ANSWER SECTION

**Operator:** Thank you very much. We will now begin the question-and-answer session. [Operator Instructions] The first question comes from Oscar Rönnkvist from ABG. Please go ahead.

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### Oscar Rönnkvist

*Analyst, ABG Sundal Collier AB*

Thank you and good morning, guys. First off, I just wanted to hear your thoughts about the sort of turnover growth sequentially. You said that you're pleased with the quarter. So, when we have like Rush Street in Mexico; Kindred, Netherlands; Ontario ramp-up; PENN, Kansas; sort of the like-for-like growth, excluding all the sort of headwinds, I mean, it should be down quite a lot from Q2 levels. So, can you just explain to me – I mean, obviously, we have some sort of seasonality, but are we sort of thinking that that seasonality impact isn't as great as you might think?

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### Kristian Nylén

*Chief Executive Officer, Kambi Group Plc*

Yeah. I think, I mean, the seasonal impact between the quarters is massive. And I think you will see that in Q4. Now, as I said, I mean – or as David said, I mean, we expect all three months in Q4 to quite handsomely beat out September. We had, as we mentioned, a few headwinds when it comes to seasonality as well, especially when it comes to having some revenue still from DraftKings, but mainly having the ending of the Euro Championships from last year.

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### Oscar Rönnkvist

*Analyst, ABG Sundal Collier AB*

All right. So, that's why we saw better sequential obviously. But, I mean, sort of Q2 should also be a very quiet sporting calendar, as you also mentioned in the last conference call, right? I mean, the US sports are sort of ending in April, and then the NFL is ending in February. So, Q2 should be really quiet as well.

**Kristian Nylén***Chief Executive Officer, Kambi Group Plc*

A

No. I mean, the basketball or NBA, I mean, I think their finals is usually in June. So, that is going on for quite much more of a time. You have – the soccer is usually ending somewhere late May, and the ice hockey also have their finals in June. So, Q2 is usually a much better quarter than Q3 also.

**Oscar Rönnkvist***Analyst, ABG Sundal Collier AB*

Q

All right. Got it.

**David Richard Kenyon***Chief Financial Officer, Kambi Group Plc*

A

I think the other point is the operator trading margin which was a point higher here in Q3 versus Q2, which, of course, has a somewhat of a dampening effect on this Q3 number for the turnover.

**Oscar Rönnkvist***Analyst, ABG Sundal Collier AB*

Q

All right. Got it. So, then just on the operating expenses, so sort of excluding the Shape Games acquisition which obviously comes with some staff, I think that your sort of FTEs are not up really that much since Q2, and it wasn't really up that much from Q1 to Q2 either. So, are you sort of not hiring people at the moment, or how should we think about that going forward?

**David Richard Kenyon***Chief Financial Officer, Kambi Group Plc*

A

Yes, good question. I think – I mean, obviously, there's impact of attrition as well. So, it's not been a massively conscious decision up to this stage to stop hiring. It's more been making sure we can fill the gaps. But I think more importantly is what we talk about going forward. We've been standing here and talking about slowing down our rate of cost growth ultimately because we've been spending on projects such as automation, which are intended to be able to lead to longer-term cost growth slowdown.

So, I'm really pleased that we can announce today that we will be slowing that rate of cost growth. At the same time, as we're seeing inflationary pressures on quite a few parts of our cost base, I think it's really important we don't ignore that, and we take tight grip on that and make sure that when we do make new signings, the ones Kristian about, that they will lead to kind of – to improve the scalability in the business model which we've also been talking about. So, yes, it's – the main thing is to look forward, and we'll give more details in future releases about what this cost growth will look like next year, but just take it from us that we are working on making sure that cost growth does slow down.

**Oscar Rönnkvist***Analyst, ABG Sundal Collier AB*

Q

All right. And does the slowing cost growth have anything to do with revenues coming in slower than you expected or sort of the pipeline coming in slower than you expected?



**Kristian Nylén**

*Chief Executive Officer, Kambi Group Plc*

A

No. I think, as David said, I mean, first and foremost, I think it is a product of us being able to automate more and more in the future. And also, I think, I mean, we have some obvious synergies that we need to realize when it comes to our own front-end development and what we now can do with Shape. So, no, I wouldn't say that it has very much to do with slower revenue growth. It's more about that we feel this is a very, very good time for us to become more prudent with our cost, and now we really see that we have opportunities with more automation and some synergy wins to come.

**Oscar Rönnkvist**

*Analyst, ABG Sundal Collier AB*

Q

All right. Understood. Just a final question. You talked a lot about the sort of strong pipeline that you see. Is it anything that have changed over the last year, or is it anything that have changed from your – what you're seeing now relative to what you've seen sort of one year ago? And the Great Canadian signing, is that sort of the great pipeline that you have been talking about? Is that included there, or should we see that sort of better signings or larger signings further on what you think?

**Kristian Nylén**

*Chief Executive Officer, Kambi Group Plc*

A

I will obviously not comment on what signings we will do. But of course, Great Canadian was a part of the pipeline before we signed them. But I would also say that, I mean, it's still very strong and coming just back from G2E, I feel we are in a very, very good shape going forward.

**Oscar Rönnkvist**

*Analyst, ABG Sundal Collier AB*

Q

All right. Understood. I think I'll leave it there. Thank you very much.

**Kristian Nylén**

*Chief Executive Officer, Kambi Group Plc*

A

Thank you.

**Operator:** Thank you. The next question comes from Ed Young from Morgan Stanley. Please go ahead.

**Ed Young**

*Analyst, Morgan Stanley & Co. International Plc*

Q

Good morning. I've got two questions, please. First of all, in your remarks, you said that the impact of macro economics would have been softened by your large exposure to the early-stage US market. And also, currency was a sort of factor in there. Just to be clear, do you think you've seen some impact of softness from the macroeconomic environment? Are you just saying that, broadly, it will be harder to spot because of your mix? So, have you seen any?

And then second of all, on the Bet Builder, I wonder if you could talk a little bit more about the modularization there. One of the issues that operators who outsource that product from other suppliers have found there's essentially been a friction between the odds generated or odds used within the same game parlay and those from the remainder of [ph] network (00:29:49), and that's created some UX issues. How are you solving those if you're



modernizing the product to give to a supplier who already has their own trading and risk book for the rest of their offer? Thanks.

**Kristian Nylén**

*Chief Executive Officer, Kambi Group Plc*

A

So, on your first question, I mean, it's too hard to see what is the cause and what it would have been if everything was still the same. I mean, since the seasonality is such a big part of our turnover, we obviously have new customers that are growing quite handsomely. And I'm more saying that, I mean, it's quite obvious, what – with the cost of living going up quite significantly, it will have an impact on what people can spend on entertainment and gaming in particular here. So, it will have an impact, and I'm sure it has had some impact already.

On your second question about Bet Builder, I think this is one of the big reasons we strongly believe that we have an opportunity here. I think we have a significantly stronger product than the other B2B options out there. And I think we also may have a solution to a problem going forward on how to harmonize the pricing.

**Ed Young**

*Analyst, Morgan Stanley & Co. International Plc*

Q

Okay. Thank you.

**Kristian Nylén**

*Chief Executive Officer, Kambi Group Plc*

A

Thank you.

**Operator:** Thank you. Next question comes from Viktor Högberg from Danske Bank. Please go ahead.

**Viktor Högberg**

*Analyst, Danske Bank A/S (Sweden)*

Q

Good morning. So, a follow-up on the pipeline. You talked about the opportunity around European operator that might have come to [indiscernible] (00:32:09) when it comes to your tech development. Is that opportunity still there?

**Kristian Nylén**

*Chief Executive Officer, Kambi Group Plc*

A

There are still opportunities out there, absolutely.

**Viktor Högberg**

*Analyst, Danske Bank A/S (Sweden)*

Q

Okay. And Abios, how much did that contribute with – you mentioned the Shape contribution.

**David Richard Kenyon**

*Chief Financial Officer, Kambi Group Plc*

A

Yeah. Hi, Viktor. Abios was around €0.5 million in revenue and about €0.1 million on the EBIT line.

**Viktor Högberg**

*Analyst, Danske Bank A/S (Sweden)*

Q

So, roughly trading in line with where it has been the past couple of quarters then. Is there any seasonality in that? Is it going as planned, or what to expect from Abios?

**David Richard Kenyon**

*Chief Financial Officer, Kambi Group Plc*

A

Yeah. I mean, like – I'd say it's not so much seasonality, but there, I think the path to greater profitability will be when they move into the – making revenue from the odds on esports, which is certainly in the pipeline and, certainly, we'd hope to, in the first half next year, be showing that increased profitability from that revenue.

**Viktor Högberg**

*Analyst, Danske Bank A/S (Sweden)*

Q

And that's when you're going to launch that?

**David Richard Kenyon**

*Chief Financial Officer, Kambi Group Plc*

A

That's the plan. Yes.

**Viktor Högberg**

*Analyst, Danske Bank A/S (Sweden)*

Q

Okay. And on the turnover growth or turnover index, when you slice it up in the quarter, that just went by, and looking into Q4, and do you expect all three months to be better than September? Sounds like you expect each month to be better than the previous. Is that how we should read it as well: November better than October, December better than November and so forth given the schedule?

**Kristian Nylén**

*Chief Executive Officer, Kambi Group Plc*

A

Yes, I think, certainly, November should be better than October. The [ph] tricky thing (00:33:50) is that we – the World Cup, I mean, it is a great tournament. It also means that a lot of domestic soccer leagues is taking a pause. So, I struggle a little bit to feel confident on if it's a positive or a negative with the World Cup for that period. For longer term, it's surely a positive because of [ph] the fixtures (00:34:23) in the domestic leagues, they have to be played at some point. But I'm sure that, in November, we'll be stronger than October. I would guess that December will probably be, yeah, on par maybe with November or possibly slightly worse.

**Viktor Högberg**

*Analyst, Danske Bank A/S (Sweden)*

Q

Okay. Looking at Shape, could you describe your P&L model, the drivers, what to expect in terms of growth doubling its revenue this year, but that's from customers going live? What to expect here? What's the market growth rate? And what's the opportunity for them to grow under your umbrella?

**David Richard Kenyon**

*Chief Financial Officer, Kambi Group Plc*

A

Yeah. I mean, I think, there's two ways they're going to grow their revenues. One is upselling of services. So, they offer quite a broad range of services. And, obviously, they can enter with an operator with one service and then expand the offering. So, that's certainly one. And that would be one way of growing that revenue. Second is new customers. I mean, they're currently with kind of just under 10; 9 or 10 customers. There's a clear potential for that

number to increase. And I think with their fantastic offering, that's absolutely the plan that they can keep selling just at the start of their journey, really.

**Viktor Högborg***Analyst, Danske Bank A/S (Sweden)*

Q

On the P&L model, is there any recurring revenues in the rev share, onetime fees [ph] sort of (00:35:53) support?

**David Richard Kenyon***Chief Financial Officer, Kambi Group Plc*

A

It's really a mixture, and it's flexed per operator. Some have part fixed and part rev share. Or some – it's almost on a case-by-case. But certainly – yeah, you can say the costs also linked to the revenue in a large degree because they're a lot driven by development costs that they're providing on to the operators. So, they're already profitable, and there's absolutely a reason to think that profitability grows as they sign more customers and upsell their services.

**Viktor Högborg***Analyst, Danske Bank A/S (Sweden)*

Q

And in terms of their profitability, any capitalizations in there that affects that? The cash flow will be mismatched with earnings, or is it taken over the P&L, the investments?

<A0 – [06SF5Z-E David Kenyon]>: It's – yeah, I mean, there'd be some capitalization, but nothing that materially impacts the profitability we talked about in the press release. I think it was €2.8 million last year, and we talked about that potentially doubling this year.

**Viktor Högborg***Analyst, Danske Bank A/S (Sweden)*

Q

Okay. And could you also help us with the phasing? If they're doubling their revenues this year from going live with new customers, what's the phasing of the – time [indiscernible] (00:37:11) going live, was that all during the first part of this year so we see the majority of the effects in 2022 or any effects from that also to be seen in 2023?

**David Richard Kenyon***Chief Financial Officer, Kambi Group Plc*

A

I think certainly some went live earlier this year. I haven't got the exact phasing on top of my head, actually, but...

**Kristian Nylén***Chief Executive Officer, Kambi Group Plc*

A

Yeah. I mean, JACK Entertainment, of course, is live with a free-to-play solution at the moment, but we expect the market to open in January. So, I guess that's obviously making a difference.

**Viktor Högborg***Analyst, Danske Bank A/S (Sweden)*

Q

Okay. Could you also – you mentioned on the ownership of Great Canadian and Apollo being there, you mentioned that could potentially mean something for other partnerships going forward. Could you expand on that comment?

**Kristian Nylén**

*Chief Executive Officer, Kambi Group Plc*

Not very much. But of course, being on the map of the owners as a supplier to Great Canadian, it should, if anything, have a positive impact at least.

A

**Viktor Högberg**

*Analyst, Danske Bank A/S (Sweden)*

Thank you very much. That's it for me.

Q

**Kristian Nylén**

*Chief Executive Officer, Kambi Group Plc*

Thank you.

A

**Operator:** Thank you. I now hand it back to the speaker for read questions. Over to you.

**Mia Nordlander**

*Senior Vice President-Investor Relations, Kambi Group Plc*

Thank you very much. Kristian, I will start with you and modularization. The first one is: how does the timeline look for launching BetBuilder as a stand-alone service?

A

**Kristian Nylén**

*Chief Executive Officer, Kambi Group Plc*

Yeah. As I said, I mean, I hope to – for us to go to market, as I previously communicated in Q1. Obviously, I don't know when we sign with first customers. So, that is a trickier timeline to point to.

A

**Mia Nordlander**

*Senior Vice President-Investor Relations, Kambi Group Plc*

Okay. And here's a question regarding the pricing model of a modernized sportsbook. Is it higher than regular take rate, or how does it work? Anything you can comment on?

A

**Kristian Nylén**

*Chief Executive Officer, Kambi Group Plc*

No, I don't want to comment on that until we actually go to market with it.

A

**Mia Nordlander**

*Senior Vice President-Investor Relations, Kambi Group Plc*

Okay. And another question is that if you plan to launch other models as well in the future rather than BetBuilder.

A

**Kristian Nylén**

*Chief Executive Officer, Kambi Group Plc*

Absolutely. And we will continue communicating about this when we have more to communicate.

A

**Mia Nordlander**

*Senior Vice President-Investor Relations, Kambi Group Plc*

A

Okay. David, a question for you. Why have the buybacks been halting during a period of volatile stock price? Anything you can say about buybacks possibly in the future?

**David Richard Kenyon**

*Chief Financial Officer, Kambi Group Plc*

A

No, I mean – well, you saw that – made a massive acquisition for us is fully in cash during the quarter. So, that's clearly been – we've known about that, and we're working towards that. I think the important thing now is we build that cash balance back up. That gives us potential either for future M&A or more buybacks in the future. But it's – for now, it's – we obviously need some level of cash to stay in the business, but it seems we can build it back up again. That opens up the door for those kind of transactions in the future.

**Mia Nordlander**

*Senior Vice President-Investor Relations, Kambi Group Plc*

A

Yeah. Our customers require a strong balance sheet as well. I think it's important to remember.

**David Richard Kenyon**

*Chief Financial Officer, Kambi Group Plc*

A

Of course, yeah. Yeah.

**Mia Nordlander**

*Senior Vice President-Investor Relations, Kambi Group Plc*

A

Thank you. Can you also, David, elaborate other operating expenses why it's up?

**David Richard Kenyon**

*Chief Financial Officer, Kambi Group Plc*

A

Why it's up from Q2? Yeah. Well, Q2, we had a huge FX gain which depressed those other OpEx. So, we did have a gain in Q3, but it was much smaller than the one we had in Q2, which kind of artificially plays with the numbers. There was a few small extra costs we took in Q3. For example, the legal cost with the Shape acquisition. But by far, the biggest impact on that one is the FX.

**Mia Nordlander**

*Senior Vice President-Investor Relations, Kambi Group Plc*

A

Thank you. Another question for you, Kristian. Have you seen any customers transferring in Europe from internal solution to Kambi?

**Kristian Nylén**

*Chief Executive Officer, Kambi Group Plc*

A

We have seen a few, but it's not very recent, but I definitely see that this is something we hope for and expect to happen. Yeah, we actually have one quite recently, and that is a Belgian lottery, which transferred from their own technology to ours a year ago roughly.

**Mia Nordlander**

*Senior Vice President-Investor Relations, Kambi Group Plc*

A

Yeah. Okay. Great. Here is another about modularization for you, Kristian. Are you confident you can also sell modular service like BetBuilder to big Tier 1 US players?

**Kristian Nylén**

*Chief Executive Officer, Kambi Group Plc*

A

I mean, there are a limited amount of big players, of course. But I'm confident we have a product to sell them, and I'm sure we will have discussions with them.

**Mia Nordlander**

*Senior Vice President-Investor Relations, Kambi Group Plc*

A

A few questions regarding future revenue. It's probably hard for you to answer that, but anything you can say, what it can look like. It decreases the TAM for sure.

**Kristian Nylén**

*Chief Executive Officer, Kambi Group Plc*

A

Yeah. No, I can't comment on future revenues.

**Mia Nordlander**

*Senior Vice President-Investor Relations, Kambi Group Plc*

A

No.

**Kristian Nylén**

*Chief Executive Officer, Kambi Group Plc*

A

I can say this much. I don't expect modularized services to be a main part of our revenues. What I do expect is that we will create a relationship with customers and being able to sell more and more services to them. So, I think, for us, it's more about getting a relationship with the Tier 1 operators again and being able to sell more and more services to them. And eventually, our belief is that you will see a much, much bigger part of the services being outsourced, but it will probably take a few years.

**Mia Nordlander**

*Senior Vice President-Investor Relations, Kambi Group Plc*

A

Here's a general question, I think. What you see in the business in general in regards to M&A as the market matures, primarily with big players expressing their intention to enter the market?

**Kristian Nylén**

*Chief Executive Officer, Kambi Group Plc*

A

I mean, I guess it will probably not be so much M&A going on in the near future. It will probably be much, much harder to find capital. I think it's probably quite a large disparity between the valuation of listed companies and what companies that are not listed are looking at. Long term, of course, I think that you will see more and more M&A which – yeah, it's just a natural part of our business.

**Mia Nordlander**

*Senior Vice President-Investor Relations, Kambi Group Plc*

A

Another one for you, Kristian. What do we expect in terms of B2B competition space changes when SBTech is [ph] dropping (00:44:29) off? What do you think about expansion into Asia? Got two questions here.

**Kristian Nylén**

*Chief Executive Officer, Kambi Group Plc*

A

Yeah. First one, I mean, there is some competition out there. I think we are quite alone in the premium segment at the moment. But, I mean, yeah, you see some competition out there. Of course, I'm not very keen on mentioning names of our competitors. Asia, I think it's very exciting. It's probably a few years away still. We obviously are waiting for a regulated market. But we have mentioned before, we think India and Japan is probably two other countries that are most likely to happen in, yeah, closest timeframe, but it's probably three to five years away.

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## Mia Nordlander

*Senior Vice President-Investor Relations, Kambi Group Plc*

Okay. I think we're running out of time here. So, thank you very much for sending in your questions. And thank you for listening in to us. We will be back with our Q4 report on the 22nd of February. So, we're looking forward to see you again. And as always, if you have questions, feel free to reach out to the IR department either to myself or to Chris. And I wish you a very good afternoon or morning, wherever you are. Goodbye.

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## Kristian Nylén

*Chief Executive Officer, Kambi Group Plc*

Thank you.

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