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Kambi Group Plc (KAMBI.SE)

Q1 2023 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Mia Nordlander

Senior Vice President-Investor Relations, Kambi Group Plc

Good morning everyone and very welcome to Kambi's Q1 2023 Report Presentation. My name is Mia Nordlander and I am Senior Vice President, Investor Relations here. And today, we will start to hear our CEO, Kristian Nylén talking about the quarter followed by our CFO, David Kenyon. Thereafter, we will have time for questions so you can either call in to us and ask them here or send them to me through the chat in the web.

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

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

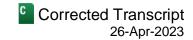
Thank you. Mia. So, yeah, I will talk very briefly if you through about the highlights and then I will hand over to David and then I will come back and talk more about the quarter in depth. So this quarter, we are having a very busy sporting calendar. We've couple of top events, the playoffs in American football and especially the Super Bowl and the March Madness. I will talk more about that later. But we are very pleased with the product we are able to produce for these top events and we've a perfect performance. So that is very pleasing.

And the revenues for quarter is up 19% and yeah, as I said, it is a very busy quarter. So we expect this and Q4 to always be the two top quarters on a yearly basis. The major news on this quarter is, of course, the renewables of to our top operators, Rush and BetPlay. These two are benefiting more than 50% of our underlying GGR in the Americas. So our two very, very important customers to us and we are very pleased to renew the contracts with both of them. And of course, our AI-driven trading has been rolled out across all major leagues in Europe now and we're very happy about the results so far and I will talk more about that later.

But for now, I hand over to David.



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David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

Thanks, Kristian. Yeah. Let me start with the financial highlights for the quarter. So revenue for the quarter was €44 million, up from €36.9 million this time last year. We benefited from launching new customers from going into some new states in the US and of course, from a full quarter of revenue from Shape Games.

Our cost did increase from €29.5 million to € 39.5 million but there are some big, big reasons for that, which I'll get into. Firstly, some structural changes. So up here now we have additional OpEx from the acquisition of Shape Games and also the amortization on the acquired intangibles related to that acquisition. Those two alone combined for €3.6 million of that cost increase. We also had certain nonrecurring costs in the quarter. Versus last year, we had a movement in FX of €1.3 million with a €0.5 million cost this year and a €0.8 million gain this time last year.

We also had personnel restructuring costs of around €1 million. This was actually head count reduction in the business of around 30 people. We realized operational efficiencies, which were enabled in large part by our new Algo initiative, which we talked about recently at the Capital Markets Day. These personnel restructuring savings will ultimately lead to reduced OpEx on those on those head counts of more than 2 million per annum, but in this quarter we saw a €1 million one-off cost. This led to EBIT for the quarter of €4.5 million. But we actually introduced a new metric this quarter. It's earnings before interest tax and amortization on acquisitions and it specifically excludes amortization on the acquired intangibles from our EBIT number to show the underlying performance excluding noncash acquisition related entries. And on this basis, we made €5.8 million versus €7.7 million this time last year.

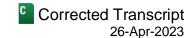
And net cash showed a healthy increase in the quarter up significantly and of course, by about €8 million and I will show that in more detail. But we are down on last year mainly due to the acquisition we made of Shape Games during the year, but overall a very healthy balance sheet at the end of Q1.

This is the Kambi turnover index. It's an aggregation of the entire portfolio as I show each quarter. The blue columns on indexed turnover aggregation, so the operator turnover accumulated on an index basis and the orange line is the operator trading margin across the network. You see that turnover took a small dip after Q4 and that was as we expected as a result of the Football World Cup taking place in Q4. This was offset to some degree by launching into new states, notably Massachusetts and Ohio. In terms of the sporting season, in early February, we saw the culmination of the NFL season, but we saw a significant increase in our basketball turnover with the college season a big contributor this quarter. We were up 12% versus last year. We're live in four more US states. We saw Kindred launch, relaunch into the Netherlands in July last year.

These boosts of turnover probably offset to some degree by the results of PENN National Gaming, where we've seen in the public data that they've seen a loss of market share in key states such as Pennsylvania, Illinois – and, yeah, Illinois and Pennsylvania, sorry. And as I've talked to how about how they've moved their focus away from customer acquisition and that is to some degree shown through in our numbers, too. The operator trading margin for the quarter was 8.2% versus 8.1% this time last year.

Which brings me to the revenue conversion. So as I said, we start on the left with 12% operating turnover growth, relatively small impacts this quarter from the operating margin, which was in line with last year and the tax and marketing deductibles also relatively small as we're now the vast majority of our business is coming through regulated markets and that's very steady north of 90%. The other column is a little lower than it has been in prior months. We've seen a significant increase in our live data costs, specifically which are recharged through its operators, and these are revenues which are independent of the level of operator turnover.

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And then on the right-hand side, you see the contribution from Shape Games. It's approximately €3 million and it's, of course, completely new versus this time last year with the acquisition happening in the second half of 2022. All in all, that took us to a 19% growth in revenues.

Finally the cash flow. As I mentioned, very healthy increase during the quarter. We started at €60.7 million was our opening cash balance and that's added to by the operating profits, which I've talked through. Those profits were complemented by an increase in our working capital position, with some delayed receipts from operators actually that were due to be paid in Q4 got slightly delayed and were paid in Q1, but it's obviously helped our cash position now by the end of the quarter here and we closed with a closing cash position of €68.7 million. So a very healthy position for the balance sheet moving forward.

And with that, I'm going to pass you back to Kristian.

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

Thank you, David. Yeah. So I started saying, I mean, as usual, Q1 displays a great sporting calendar. Tennis is back and we have Australian Open, the soccer has a very busy schedule. But the two main events is the playoffs in American football and the Super Bowl and after that, the March Madness. Our product has been great. For the football, we during the playoffs introduced cash out for the Bet Builder which we together with Bet365 was a first in our market offer. And yeah, we tested it a few matches before and it worked absolutely perfectly during Super Bowl. The Super Bowl in itself was the second largest event ever, only beaten by the Super Bowl last year. And it's twice the size of a World Cup final.

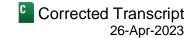
As you can see on the graph, the 13 playoff games has a massive contribution to our quarterly results. And now since early February, there is no more football until September again. So of course, it has a big impact on the second half of this quarter, but more importantly in Q2 and Q3. During the quarter, we also have a March Madness, which is the college playoffs in basketball, has great interest, especially in the US, of course. And we had a great performance year-on-year. We were up 17% on turnover and mainly it was driven by enhancements in our product such as the Bet Builder and more player markets. So I would say we had the best product out there for this tournament. Very pleased with all in all the product enhancements and especially, as I said before, perfect performance for these big events.

Well, during the quarter, we also had a few partner signings, some of them we covered in Q4. So I will highlight only three of them in here. First, we have del Lago, which is the upstate commercial casino in New York. We actually used to power it as part of the DraftKings deal back in the days. And we are pleased to have it back in our portfolio of customers and as it is only for commercial casinos, it's a very interesting retail business for us and together, we're having supplying Rush there retail casino and also having three casinos for Seneca in New York. We have a very dominant market share on the retail sports betting in the states.

The second one, Potawatomi, is a partnership with the largest casino group in Wisconsin. Wisconsin is a state that only have regulated retail and mobile on premise. So having retails deal is more important in these kind of states, of course. And here, we have, what I would say, the crown jewel of casinos in the state with very close proximity to Milwaukee, the largest city in Wisconsin.

And finally, on this slide, we have signed Shape Games as a made a partnership with Wagr a couple of weeks ago. This is a very interesting partner in itself. But yesterday, Yahoo! announced that they were acquiring Wagr.

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So of course, this partnership becomes much, much more important than it was before. And we are very much looking forward to work together with Yahoo!.

As usual, during earning quarter, we do a lot of live launches. In Q1 this year, we did 20 launches in three new states as well. In Ohio, we completed 11 retail and online launches during the quarter. In Massachusetts, we went live retail just before Super Bowl and after that, we have also added online in March.

And finally, as I talked about, we have launched with Potawatomi in Wisconsin making Wisconsin the 22nd state we are active in. I would say we are unmatched for market delivery and our customers can always trust us to be among the first in any new market coming up and we are consistently enabling our customers to be on market on time.

We will continuously update you about our development that we win with five key growth drivers towards our 2027 financial targets as we presented on a Capital Markets Day a few months ago. In Q1, we had good progress on the first three of these drivers and I will go through each of them now.

So firstly, as I start mentioning, we have done significant added extensions with two our largest customers, Rush Street and BetPlay. These two customers are together roughly 50% or more than 50% of the GGR that we are operating in the Americas. RSI is, of course, very active in the US where we are active in many of the states. But we also do business in Canada, Colombia and Mexico. So very pleased to have extended that contract. BetPlay is, of course, the market leader in Colombia. With this extension, they also communicated plans to expand across Latin America further.

Talking about Latin America. This is and they are very, very important part of our future growth, of course. We are already extremely successful in Colombia. We're doing great movements in Argentina, where we now are live in eight jurisdictions covering roughly 55% of the population in Argentina and it's looking really, really good. We have a really interesting news about Brazil. The government there seem to have come to tax rate for the regulation of sports betting in Brazil. And we expect official announcement to come very, very soon in Brazil. Of course, Brazil is a third of the Americas, so it's an extremely important market to [ph] get line with (00:16:31).

And as I communicated in last quarter, we believe we have one really strong customer in Rei do Pitaco already. And of course, we hope to be able to sign a few more in Brazil over the next few quarters. One point that we have talked quite a lot about lately is, of course, our third generation trading capability. We are now able, with Alpowered trading to really make the product much, much better and we can do it much more efficiently.

As I communicated before, we had a great success during World Cup and now during this quarter, we have rolled this out to the top six European domestic leagues and also to through to the big cup tournament such as Champions League, Europa League, FA Cup and so forth. We will, of course, continue this rollout with more leagues, but more importantly, we expect to be able to do this on live betting as well in Q3 or Q4. After that, we expect to roll out more sports during next coming years giving our operators and their end users a much, much greater product, but also making it possible for us to do it with much greater efficiency. As an example of the impact in Q1, the turnover on Bet Builder almost doubled year-on-year because of a better product we could give.

So to summarize this quarter, we have extended two of our most important partners in BetPlay and Rush Street. We're extremely pleased with that. Our Al-driven trading illustrates a substantial opportunity and I think this is something we're quite unique at and really looking forward to see what we can take it during the next couple of quarters with in-play betting or live betting. So we're doing great progress towards our 2027 targets and looking forward for the rest of the year. Thank you very much.

Mia Nordlander

Senior Vice President-Investor Relations, Kambi Group Plc

Thank you, Kristian, and thank you, David. And now it's time for questions. So you can either call in to us and ask them directly or you can send them via the chat to me. So, first of all, over to you, operator and questions from the phone.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] The next question comes from Oscar Rönnkvist from ABG. Please go ahead.

Oscar Rönnkvist

Analyst, ABG Sundal Collier AB

Thank you. Good morning, Kristian, David and Mia. Thanks for taking my question and apologies in advance if you need to repeat yourself. I entered the call a bit late. So first, just on in Arizona, we see Desert Diamond performing quite well. So I just want to get a touch on if you have any evidence of local starting to grab some market share in other states that we cannot track. And also, I mean, we have seen the start for JACK Entertainment being on the softer side maybe in Ohio. But do you see any clear signs of them ramping up in the coming months after the launch?

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

Yeah. I mean, yeah, Desert Diamond is doing great. I think we have a few others are doing quite good as well. I can't really comment on non-official figures, but we are in general quite pleased with our local operators and, I mean, you can see in our figures as well, but, I mean, we're becoming less and less dependent on large operators in our network. What was the second question? I...

Mia Nordlander

Senior Vice President-Investor Relations, Kambi Group Plc

Ohio.

David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

JACK, betJACK.

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

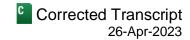
betJACK, yeah. Yeah, I can't speak for them, but I think they, they are still working out a little bit to how to make the most out of it. I think we have started quite carefully, so I definitely hope that they will ramp-up during the quarter.

Oscar Rönnkvist

Analyst, ABG Sundal Collier AB

Okay. Great. Then on the turnover index growth, you grew 12% down a little bit from Q4 where you had 20% turnover growth. So I don't know if you have mentioned this and how much you can actually say about this, but in

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the official numbers, at least it seems like PENN has come down quite steeply in some key states. Can you like elaborate on the financial impact for you just from the sequential decrease from PENN and what's the sort of underlying growth if you just exclude the PENN numbers?

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

I mean, to start, I can't really get into exactly what kind of contributed in the quarter. I mean, we just can't, we can't go there in terms of our contracts.

Oscar Rönnkvist

Analyst, ABG Sundal Collier AB

Yeah.

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

What I can point to is, is the public data and there has been a massive decrease in the market share in key states. I mentioned Pennsylvania, Illinois, Michigan, the three examples. If you look at those numbers, it's been a massive decrease from this time last year, but also kind of continued from Q4 through into Q1. So yeah, and they've talked about not really focusing on customer acquisition right now. So it has feed through into our numbers. Yes, it's a relatively big factor for us. But yeah, of course, will lessen the impact as and when they do leave the network, of course.

Oscar Rönnkvist

Analyst, ABG Sundal Collier AB

All right. Thank you. Just the next one on, so in the report that you had signed the company called Wagr, Shape Games. So just in terms of the connection to Yahoo!, also, I mean, the connection to Yahoo! and Great Canadian as well, do you see like any other opportunities where you could like cross-sell both the Kambi platform, some modules and some other may be, let's say, if Yahoo! wanted to increase their sports betting exposure, would that be sort of a positive read across to for or upcoming maybe potential signings?

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

Obviously, we hope so. The Yahoo! signing was done yesterday. So albeit we haven't really gathered more information about it yet. But for us, it's a great thing that that Shape has made with the relationship already with Wagr. And as you say, we feel Great Canadian have a relationship [indiscernible] (00:24:14). So, I hope it can be positive for us for future as well.

Oscar Rönnkvist

Analyst, ABG Sundal Collier AB

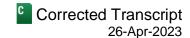
Do you have any anything to say about which states Wagr are supposed to launch in?

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

No. More than, I mean, where they were active before is Tennessee. So that's where we will start, of course. The Yahoo! thing is very new, so I guess we will see what happens with that. But Tennessee is one state we know at this point.

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Oscar Rönnkvist

Analyst, ABG Sundal Collier AB

Okay, perfect. And one last question. I know that you focus on already regulated markets, but I've seen Sportradar open a new office in Mumbai and just talked about like the cricket market could solely birth like or \$100 billion growing 20% per year and you have mentioned India as a market where you want to grow in when it regulates or if it regulates ahead of the 2024, 2027 financial targets that you have. Is there any possibility that you would be able to launch in such market before it regulates, given the, I mean, complete focus on B2C operators on the regulated regulation part and KYC procedures?

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

I mean, that we are already to some extent active in India in a very, very small scale. We have refrained from creating a local product and therefore I think we are staying on the right side. But yeah, I think the big step will happen when the market regulates and when you see more local operators coming into to play. So yeah, it's some time left I guess, but we are already active looking at opportunities in India for sure.

Oscar Rönnkvist

Analyst, ABG Sundal Collier AB

Okay. Perfect. Thank you very much. That was all for me.

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

Thank you.

Operator: The next question comes from Georg Attling from Pareto Securities. Please go ahead.

Georg Attling

Analyst, Pareto Securities AB

Hi, everyone. Just a few questions from me. If you could just start on the personnel restructuring, you said that you left off 30 people. So I'm just wondering, are all of these traders and will you continue to cut down on the organizational, on the staffs head counts or is this the changes we will see this year?

David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

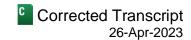
Yeah. Thanks. Yeah. They were predominantly traders, yes, not all that, but largely in the trading department. And I think in terms of future plans, it really depends on the kind of the speed and timing and success of rollout of the kind of the product roadmap, the different sports that Kristian mentioned. So yeah, we, we talked about kind of efficiencies we will make from Algo when we set those 2027 targets and this is part of it. So yeah, but we'll keep you posted when the products are in the right place to enable those efficiencies.

Georg Attling

Analyst, Pareto Securities AB

Okay. And on the PENN transition services fees, how much of those were recognized here in the Q1?

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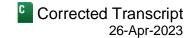


David Richard Kenyon Chief Financial Officer, Kambi Group Plc No, nothing recognized in Q1. No, that will be recognized Q3 onwards, €1 million a month for 15 months starting July this year. Georg Attling Analyst, Pareto Securities AB Okay. And just could you give an update on [indiscernible] (00:28:19), maybe what revenue they had in Q1 and also when you expect that's really go live with the full offering and the sort of impact you expect on that in the P&L? **David Richard Kenyon** Chief Financial Officer, Kambi Group Plc Yeah. For now, they're running at about breakeven. They're running at around €0.5 million revenue and cost per quarter. And I think the change there will be when they start generating revenue from the [indiscernible] (00:28:48) contracts, you know, that could be as soon as I guess late Q2 that we start seeing some income from that and hopefully it ramps-up over time certainly later this year. **Georg Attling** Analyst, Pareto Securities AB Okay. And the impact on the Wagr partnership would say will we see that in the Q2 already or will that be some delay before we start to see that in numbers? David Richard Kenyon Chief Financial Officer, Kambi Group Plc No. You should start seeing some impact on the Shape numbers already in Q2, yeah. **Georg Attling** Analyst, Pareto Securities AB Okay. And that goes for BetCity as well, I guess on for Shape, we should see that impact in Q2. David Richard Kenyon Chief Financial Officer, Kambi Group Plc Yeah. I think it's slightly less certain when that will start generating revenue, but yeah, it will either be Q2 or Q3, I believe. **Georg Attling** Analyst, Pareto Securities AB

Okay. Well, that's it for me. Thanks.

Operator: Please state your name and company. Please go ahead.

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Yes. Good morning. So given the slowdown with PENN, it's not going to be – it's going to be a lower base to roll off from in the second half when they start to migrate their online product. How do you see the seasonality Q2 to Q3 and Q4 then being out given this scenario? This is more some kind of a weird year when it comes to seasonality given the roll off. Any comments on that one would be interesting. And also, if Q1 turnover initially did match your expectations or if PENN slowdown more than you thought it would.

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

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I could take your first – really last one first there. I mean, we already saw the comments coming in about the PENN stopping focusing on customer acquisitions during the early part of the quarter. So I think we are quite in line with what we expected when it comes to the turnover for the quarter. I leave other question to you, David.

David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

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Yeah. I mean, the seasonality, I think it depends when we hear exactly when PENN are going to roll off, obviously, that will affect Q3, Q4 numbers. In terms of seasonality, yeah, it's so hard to say until we actually know when that time is going to be exactly. But if it happens in Q3, then you'll see some impacts in Q3. In the past, we've been able to talk about PENN contributing 10% to 15% of our total revenue. Of course, we're going to keep the retail operations, so part of that will stay, but there will be, there will be that that impact when we know that PENN are leaving. And we'll hopefully be offset by more signings, more launches and general growth of the network.

Yeah.

Mia Nordlander

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Senior Vice President-Investor Relations, Kambi Group Plc

Yeah. You started retail is currently around 20% from them and looking at the published numbers.

20% of a, no, lower base, it seems. So – and also the [indiscernible] (00:32:12) expectation or whatever you could say by Q2 given the weird football fixtures scheduled now with the World Cup mixing up for the schedule in Q1 and Q2, what do you expect for the second quarter of this year? We heard your comments on American football, but that rolled off already mid Q1. Any comments here would be helpful as well.

Kristian Nylén

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Chief Executive Officer, Kambi Group Plc

I mean, it's not only with the American football, what is rolling off now into state where the playoffs of both NBA and NHL have started as well. So it's still quite a lot of activity because it's quite a few playoff teams still around. But the that will decrease during the quarter. The soccer, I think, is the one thing that will hold up better than it usually does because of the season will continue longer when it usually does. I think you have still some soccer to be played in June even. So all in all, I think the turnover should hold up slightly better all things equal than a normal non big tournament year.

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Okay. But the fair expectation would still be down sequentially Q2 over Q1, I would assume?	
Kristian Nylén Chief Executive Officer, Kambi Group Plc	A
Yeah, yeah. Absolutely.	

Yeah. And on the OpEx guidance, let's see if you could help us with the drivers for the low versus the high end. Seems to be tied to Shape signings. I don't know if Wagr is something that will drive OpEx in either way. I would assume that you've included that in your guidance, but comments on the drivers for OpEx, please. Even if you narrowed that, there's still quite wide range.

David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

Yeah. I mean, first of all, yeah that Wagr, any OpEx related to Wagr is included in that full year guidance. We've narrowed the range from €20 million to €15 million. There's still quite a few moving parts in the expanded business we have now. So, it's affected by things like an eye on options, which is driven by the share price, those bonuses related to performance, so there's a few moving parts which are why we can't narrow down that range to an extremely tight number. But over the year, we'll keep narrowing it and hopefully you get a much tighter range as we get towards the end of the year.

And the Shape contributions, how much is that in terms of if Shape would add more customers during the year, how sensitive would that be in the OpEx guidance, what sensitivity does Shape have?

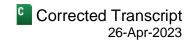
David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

So I don't expect it to make us change the range, put it like that. So I think the range can handle signings made by Shape during the year. So it's just where in that range it's going to come. And, I mean, it's yeah, it's, I don't think the signings will materially impact the OpEx on a group level.

Speaking of signings are coming in now at a number of quarters can be talking about the strong sales pipeline and of course, you have signed a number of operators and renewed as well with some of the large ones. But what can you say now, three months after the CMD laid out the modernization agenda, any delays in that one? I know you're going for large accounts, that takes time, but any update on that one? Because, yeah, I think the market expectations is for that to have already happened basically. What do you see in terms of adding customers on Bet Builder, for example?

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Kristian Nylén

Chief Executive Officer, Kambi Group Plc

First of all, I think we said already when we started talking about this a year ago, what the Q2 was our target. It may be changes on that it depends a little bit what happens with sales on our areas of a more fully managed

services. So the thing I can say is that the pipeline looks very, very strong and I'm quite pleased with where we

are, but I can't give you very much more color on until we do signings.

Okay. Fair enough. And also the financial targets you include in the CEO letter that the development until 2027 won't be linear. So do you expect the hockey stick in 2027 from a flat development until then or what do you see not linear, but the gradual improvement until then? Just help the market understand what you - what kind of timing you're seeing on improvements.

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

I mean, you have a couple of headwinds here. I mean, power coming off will obviously be a headwind for instance. The tailwinds that we can't really estimate when it will happen is things like the regulations in major places Brazil, Asia, California and so on. But the many of those are obviously expected to happen more like 2026 or 2027. So yeah, that's the big reason why we expect it to not be linear.

Okay. Thank you. And also final question on Americas, how much is the US of that and how much is Latin America? And I have a feeling that the market think the US is larger than it actually is? You want to share something on the split in the two markets?

David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

I'm not sure we...

Mia Nordlander

Senior Vice President-Investor Relations, Kambi Group Plc

No. We, I think we're still missing some public numbers, but I think in a few weeks we can comment on that. We're still missing public data. That's the only thing we can refer to unfortunately.

You can't give us not the exact figure but just a rough estimate of the relative sizes between the two maybe.

David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

The trouble is right now, our Latin America revenues are kind of dominated by a couple of operators. So giving that number, pretty much gives their numbers. So that's why we can't do that, I'm afraid.

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Okay. Fair enough. Thank you very much.

Mia Nordlander

Senior Vice President-Investor Relations, Kambi Group Plc

Okay. Thank you so much.

Operator: There are no more questions at this time. So I hand the conference back to the studio for written questions or closing comments.

Mia Nordlander

Senior Vice President-Investor Relations, Kambi Group Plc

Thank you, operator. We actually have quite a few questions here. David, I start with you. When you bought Shape, you wrote that you – that they had revenue of €7.6 million for 2021, with expectations of 100% growth in 2022. And then report we can see that revenue was €11 million for 2022. Considering that, you closed the transaction in September, it is a very big difference, what happened?

David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

Yeah. There's just, I mean, there's been some delays in a few signings, basically. So obviously when the acquisition happened, that kind of impacted a few certain deals ongoing and made the focus got shifted on to the acquisition, but now I'm really pleased with the Wagr signing that was one that has now come through and there remains a really strong pipeline for that business. So yeah, there was some delays in achieving those revenues, but I'm very confident about the future revenues for that business.

Mia Nordlander

Senior Vice President-Investor Relations, Kambi Group Plc

Thank you, David. Kristian, next one is for you. You had an interview with the ITV this morning and said that RSI and BetPlay accounted for the majority of the revenue in North and South America. It is correct to assume that they account for at least 27% of the revenue. Well, but you said we couldn't really comment on that. So any other color you want to make on that?

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

No. As I said, I mean, the underlying GGR for BetPlay and Rush is more than 50% of our Americas number and that as much as I'm willing to give.

Mia Nordlander

Senior Vice President-Investor Relations, Kambi Group Plc

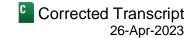
Okay. Thank you. And this one is for you, David. On the costs side, can please elaborate a bit on the reduction of personnel compared to Q4, the increase of staff costs and on off during the quarter?

David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

А

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Let me start with the restructuring on that one, so the second part of the question But in terms of the restructuring, around 30 people unfortunately had to leave the business because we recognized efficiencies we could make. That led to costs when they left the business for around €1 million. Of course, there are immediately some ongoing savings of a few hundred thousand because they're not in the business. And like I said earlier, longer term, that will lead to in excess of €2 million a year savings on the P&L. So, yeah, we've taken €1 million cost, which hits us this quarter. But longer term, of course, it's for the good of the business and it will help the P&L. The second part of the question was...

Mia Nordlander

Α

Senior Vice President-Investor Relations, Kambi Group Plc

The increase in staff costs and one-off, I mean, I think there's the nonrecurring – at a nonrecurring you said, yeah, I think it's just some salary increase.

David Richard Kenyon

Д

Chief Financial Officer, Kambi Group Plc

Yeah. Of course. It's the annual pay review process. Yeah – and the pay, the severance pay we talked about.

Mia Nordlander

А

Senior Vice President-Investor Relations, Kambi Group Plc

Thank you, David. Kristian, I think you already mentioned here, but how does the sales pipeline of Bet Builder stand-alone model look like?

Kristian Nylén



Chief Executive Officer, Kambi Group Plc

I think we have focused very much on the fully managed service of the last quarter. It still looks quite good, but it has not been the main focus for last quarter. But it's, yeah, we are very excited for both parts of the business.

Mia Nordlander

Δ

Senior Vice President-Investor Relations, Kambi Group Plc

Thank you. Next one for you, David. How does the growth look organic without Shape and year-on-year? So basically what is Shape?

David Richard Kenyon



Chief Financial Officer, Kambi Group Plc

Yeah. I mean, like I said, it's around €3 million of revenue in the quarter. So of that growth in €36.9 million to €44 million, €3 million is Shape, but also the cost is increased by 2.7% on pure OpEx and another 0.9% on the amortization. So on the profitability level overall, it's not really changed that significantly the way we were before. And...

Mia Nordlander

A

Senior Vice President-Investor Relations, Kambi Group Plc

Yeah.

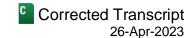
David Richard Kenyon

L

Chief Financial Officer, Kambi Group Plc

...the revenues is €3 million.

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Mia Nordlander

Senior Vice President-Investor Relations, Kambi Group Plc

Thank you. And this one is for you, Kristian. You have talked about a strong pipeline during quite a few quarters now. When do you think that will come through in form of new Tier 1 and Tier 2 customers?

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

I can't comment on that, of course, but yeah, I'm excited.

Mia Nordlander

Senior Vice President-Investor Relations, Kambi Group Plc

Yeah. And if you look at the recent signings, is there any of them you would consider as a Tier 1 operator?

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

The one we have talked very much about us as something very exciting is the Rei do Pitaco, whether it will be a Tier 1 or not in then, we don't know. But it's a little bit too early to consider it a Tier 1, I would say.

Mia Nordlander

Senior Vice President-Investor Relations, Kambi Group Plc

Another one for you, Kristian. You mentioned early in the year there are further multistate opportunities in the US still to be won. Is that still the case? And there have been some articles in the press flagging yourself [indiscernible] (00:44:44). Would this be a high priority contract?

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

So on the first question, yes, it's still the case. Obviously [indiscernible] (00:44:57) is a contract we would love to win, but it's not up to us mainly. So but of course it's a high priority for us.

Mia Nordlander

Senior Vice President-Investor Relations, Kambi Group Plc

Thank you. In Q1, you mentioned that you had originally assumed contract wins in the quarter, which had been delayed rather – been delayed rather lost. Is this still the case? And I think we already answered this, but is the outlook for Shape still good?

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

Yes. I think the outlook for Shape is very good. I think they have had to change their focuses slightly and focus more on the customers where we can work together. But yeah, I'm very excited for the Shape business.

Mia Nordlander

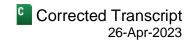
Senior Vice President-Investor Relations, Kambi Group Plc

And Kambi's, the delayed contracts still?

Δ



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Kristian Nylén

Chief Executive Officer, Kambi Group Plc

Yeah. I don't know what else I can say on this topic.

Mia Nordlander

Senior Vice President-Investor Relations, Kambi Group Plc

Thank you. David, this one is for you. How many employees do you think you would have end of this year? Do you have a view of that?

David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

Not really. What I can say is we're not significantly recruiting right now. So, from where we are now, there's no, right now there's no big plans to increase, which I guess is a little bit different to what we've been doing in the past. It's more probably - yeah, it won't be massive recruitment, I would suggest. But I don't venture forecast kind of head count.

Mia Nordlander

Senior Vice President-Investor Relations, Kambi Group Plc

Yeah.

David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

That's quite difficult.

Mia Nordlander

Senior Vice President-Investor Relations, Kambi Group Plc

Thank you. Another one, do you have any buyback share plans?

David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

Well, like I said, I mean, nothing right now. We've done it in the past, so of course, we could activate it again in the future. And as I've talked about earlier, we've got a pretty healthy cash balance now. So we've got the firepower to do that or other things with the balance sheet.

Many questions today. Kristian, this one is for you. Your 2027 targets, do you assume Kindred has left the network? And as a follow-up, in a short term, are you assuming a change in control of Kindred will lead them to

Mia Nordlander

Senior Vice President-Investor Relations, Kambi Group Plc

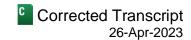
leave at a network soon around 2026?

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

I can't comment on Kindred, of course. I'm pleased we have a contract with them, with a minimum revenue guarantee over the next 3.5 years. I would suggest, it very much depends on if they bought, who are buying them where we have an opportunity to serve them or not.

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Mia Nordlander

Senior Vice President-Investor Relations, Kambi Group Plc

Thank you. Another one for you, Kristian. Have there been any tailwinds in the US towards outsourcing noting some recent public comments from retail casino operators here.

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

I think a general sentiment we see both in Europe and the US, I would say, is that, I mean, it becomes more and more important with profitability and that is always a good thing for suppliers, I would say. So I think we are in a very good shape.

Mia Nordlander

Senior Vice President-Investor Relations, Kambi Group Plc

This is in line if the competitive landscape has changed in the US or the similar competitors presented in RFP process.

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

It depends on when you look at it, but it's quite the same since as we take left, I think it has been very much about the US and OpenBet whereas a few other smaller ones that are trying to come in to a business. But us and OpenBet are the two big ones at the moment.

Mia Nordlander

Senior Vice President-Investor Relations, Kambi Group Plc

Thank you. Another one for you, Kristian. I think this is the last one. Which of the product offering do you see biggest potential in? Is it module full sportsbook?

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

For the moment, yes. I definitely believe that the different kind of sophisticated trading products will also be very, very interesting for us and for the future.

Mia Nordlander

Senior Vice President-Investor Relations, Kambi Group Plc

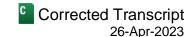
Okay. Thank you very much for the questions. Thank you, Kristian. Thank you, David. We will be back here for our Q2 report the 26th of July. And as always, if you have questions, feel free to reach out to the IR department. I wish you a very good day and thank you very much.

David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

Thank you.

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