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Kambi Group Plc (KAMBI.SE)

Q4 2023 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Mia Nordlander

Senior Vice President-Investor Relations, Kambi Group Plc

Good morning and very welcome to Kambi's Q4 2023 Report. My name is Mia Nordlander, and I am Senior Vice President Investor Relations. And today, I am here with our CEO, Kristian Nylén, and our CFO, David Kenyon.

Today, we would hear Kristian and David present the quarter and the year. And after presentation, you would be able to send questions to us. You can either do so via telephone or you can send them to me on the web.

So, let's start. We will start with Kristian to talk about some highlights from the quarter, and then some feedback and review from the year behind us. Then, David Kenyon will take over and talk about our financial summary and outlook. And then, Kristian will come back and talk about the Q4 commercial and strategic updates. Then, we have a short summary, and then it's time for question.

So, over to you, Kristian.

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

Thank you, Mia. Good morning.

So, yeah, the quarter in Q4, revenue came in 2% down year-on-year if we exclude the PENN termination fee. This was a year where comparison is towards 2022 when we had the World Cup, so I think that would have meant that it's roughly the same. On a full-year basis, we're the same. Yeah, taking out the PENN termination fee, we're up full-year 13%. As I said in the report, this is not a result we are very satisfied with. There are rather numerous reasons for that. But the main ones, I would say, is we would have expected higher revenues from Shape Gaming (sic) [Shape Games] (00:02:11) and from our largest partners that we expected to perform better

than they did. During the year, I think we have done some additional signings. Of course, we have already talked about the large ones in Q4, Svenska Spel and LiveScore. But we have also done a couple of more, 711 in Netherlands and Bingoal in predominantly Belgium. And I will talk more about them later on.

As I said, we're not that pleased with the result from Shape Games, and, therefore, we decided to do an early settlement agreement. David will go through the details later on. But what I hope this will mean is that we will quicker get to a full integration between the organizations, which will mean both financial synergies, both on the revenue side and the cost side. We have also given a full-year guidance for 2024, which David will go through more in detail. All in all, I would say that we have – we feel we have done great strategic progress during the year where to set us up for future success, and I will talk a little bit more about that on the next slides.

But first, just a reminder, on the Capital Markets Day in early last year, we gave five growth drivers of what is important to reach our 2027 financial targets. These drivers were, as we can see, utilize the platform to retain key partners, roll out AI pricing, extend our lead as a supplier in Americas, sign tier one operators across our portfolio, and launch a major regulated market in Asia. I will go through progress on four of these boxes. But in Asia, I will say, nothing has happened so far so it's not very much to talk about on that point yet.

For the financial targets, they are under review and we will come back here with a prediction during the year. But one thing that has happened is that, in the last weeks, it became quite clear that California is very unlikely to happen. We don't believe there will be a referendum this year, which would have been a prerequisite for that to happen within the period of 2027. So, now, we believe the best case for California is 2028.

So, in 2023, yeah, retain key partners. We have done seven partner renewals. Some of them were – few of them but almost the largest we have now: Rush Street, LeoVegas and BetPlay. And we have created a more open platform. And as I will talk later on, we will bring on a third-party supplier for first time in a few months' time.

We have talked about rolling out AI-powered trading. And at the moment, 75% of our pre-match soccer is traded on the new platform. We have, during the year, taken more than 200 million bets from Tzeract-powered pricing. And we expect during the year to go live with in-play on soccer and with tennis.

We believe we have extended our lead as a number one supplier in Americas. We have launched in several new states in US. And we have done multiple launches in Latin America, especially in Argentina, during 2023. But we all are waiting for Brazil to happen and that is, of course, a very important thing to happen in 2024.

And finally, obviously, signing tier one operators across the portfolio. We have done a few very significant signings during the year. Bally's, LiveScore and Svenska Spel are probably the three largest we have done during the year. So, all in all, I will say, we are very pleased with what we have done during 2023 and I think we're very well-positioned for future.

And with that, I hand over to David. I'll come back later on again.

David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

Thank you, Kristian. Good morning, everyone.

So, Q4 revenue was €44.3 million versus €45.2 million in Q4 2022, a quarter which included the football World Cup. All the numbers I show you on this slide for last year exclude the one-off PENN national gaming termination fee of €12.6 million which was recognized as a one-off in Q4 last year. Operating expenses this quarter were

€27.3 million and were lower than Q4 2022. The FX loss we had was much smaller than this time last year, and there was also a one-off credit this quarter in relation to some IFRS 2 costs on share options. And the result was that our earnings before interest tax and amortization on acquisitions was €8.5 million, up from €7.9 million in Q4 last year.

There were some items affecting comparability which came below the line, which I should talk about for this quarter. Firstly, in relation to the acquisition of Abios a couple of years ago, we made a €5.6 million payout on the earnout to them. This resulted in a €1.5 million credit being taken on the P&L due for a release of the unused contingent consideration on that investment. Similarly, as Kristian mentioned, we made a payout in relation to the Shape earnout. This was a full and final settlement of that earnout agreement. It was a payout of €4.7 million in the quarter. This led to an €11.3 million credit being released onto the P&L, again for unused contingent consideration.

Similarly, we did an annual impairment review as we have to do each year and, again, on the Shape and which aligns with the earnout assumptions. But we took a one-off noncash impairment expense of €12.4 million. So, those – all those items came below the line, but they're all taken now in Q4 and actually net to around €0.4 million across all those lines.

Turning to the full-year numbers, again, excluding the termination fee from last year's numbers, revenue up 13%. But as Kristian said, we're not fully satisfied with that number. If we look back to what we had hoped for, I'd say some of our existing key operators delivered less than we anticipated in the year. Specifically, Kindred have talked about finding themselves affected by regulatory measures in both Belgium and Norway. And PENN, who were quite outspoken in the fact that they were reducing their marketing prior to the online migration. And both of those two key customers really did impact the numbers that have come through to us on our revenue share.

Kristian also mentioned the kind of developments of Shape not being as we'd hoped at this stage. Of course, that was – that contributed to the early earnout settlement agreements and the subsequent management restructure that we've made in that division. And I think on the back of those changes and those – of that settlement agreement, we actually still believe we have a strong complement to our strategic plans for the whole Kambi Group with Shape.

The underlying cost growth this year, stripping out the impact of Shape, FX and the one-off I mentioned on IFRS 2, is actually underlying cost growth of 6% year-on-year. And then, adding back in the impact of Shape and FX, that led to EBITA on pre-acquisitions of being flat around €25 million for the year. The net cash balance at the end of the year was €50.5 million after some pretty major cash transactions during the year, which I'll talk through now after the turnover index.

So, this one is the aggregation of the operating performance across the network, as I show each quarter. And it shows the blue columns are the aggregated indexed amounts of turnover through our network across all our operators, and the orange line is the aggregated operator trading margin. The turnover you see is a steep rise from Q3, up to 789 from 602. Of course, Q4 has a strong sporting calendar including soccer, NFL, NBA and college basketball this quarter. If we look back to Q4 2022, that number of 913 included 168 which was a contribution from the PENN online business. Excluding that, so for the underlying growth in our turnover, it was up 6% despite last year having that football World Cup. The margin for the quarter was 8.3% versus 8.1% last Q4. I can say it started quite low in October then did pick up strongly as the quarter progressed.

On to the cash flow now, so this is on a full-year basis. We had €60 million in the bank at the start of the year and made operating profit of just under €20 million. But then, there's some significant cash outlays you see on the

right-hand side of the slide. So, at €10.4 million in tax payments, these comprise both corporation tax and withholding tax. We've repurchased 8.3 million of shares during the year in Q2 and Q4, and I'll talk more about that.

In Q2, we repaid the convertible bond to the Kindred Group. This was for €7.5 million. And the earnout payments I've discussed, so €4.7 million to Shape and €5.6 million to Abios virtual in Q4 have also come out during the year. And this leaves us with a net – with a cash balance at the end of the year of €50.5 million.

We have been doing quite a few share buybacks this year, as I said, in Q2 and in Q4. So, we've repurchased 462,000 shares during the year for €8.3 million, representing just under 1.5% of the shares in issue. We've actually now repurchased 986,000 shares since we started doing buybacks. And of those, we've used 247,000 to settle share options. This leaves us with a bank of 739,000 shares at the end of the year, representing 2.36% of our total share capital. And there's various potential uses for those shares including either cancellation or using them to settle incentive schemes.

So, looking ahead to 2024. So, we don't normally make revenue guidance, but there's so many moving parts here in the 12 months ahead that we felt kind of the need to really specify the impacts of those on us. Starting with the revenue then [indiscernible] (00:14:40) we have €173.3 million as a starting point for 2023. And there's both headwinds and tailwinds when we look ahead into 2024 on that number. Firstly, the headwinds. So, Kristian mentioned a raft of extensions of key partners for us and some of them come with changes to the commercial terms in return, of course, for longer commitments to the contracts. The biggest impact is for the Kindred Group, as we've mentioned before, that the new terms in that contract taking effect from 1st of January this year.

There have been operators leaving the network and the biggest financial impact, of course, is from Penn National Gaming transitioning their online business. As part of that agreement for the transition there were transition fees to cover [ph] up (00:15:31) €15 million, but those end in July 2024. And, of course, the loss of the online business after those transition fees end is a material headwind for us versus 2023. Also in 2023, there was a non-recurring license fee in relation to the Shape business, which we recognized in Q3, just under €3 million.

So, those are the headwinds. But in terms of tailwinds, what is there that we have regulation in Brazil looming. We don't know exactly when, but it's a very exciting opportunity for us. The timing is uncertain. And of course, we'll keep you posted when we have any certainty on that. It doesn't look like being a competitive market. It's a mature gray market, you can call it. And over 100 operators have expressed an interest in taking a sports betting license. But we are looking forward to that launch as and when it happens.

In terms of potential additional growth by modules, in particular, I can highlight Abios and Kristian is going to share some of that growth prospects later in his presentation, and also some of our other modules have growth in 2024.

And, of course, the 2023 partner signings. So both LiveScore and Svenska Spel are yet to launch and maybe we hope they launch during this year, and they can contribute to our revenues of course and hopefully in a material way in the second half of the year. And we hope to see growth from Bally's which is the other big signing, which when they kind of change their approach on marketing it to – from a less measured approach that we're seeing at the moment, then potentially that has growth potential for us in 2024 also.

In terms of costs, our operating expenses excluding FX were €151 million this year, in 2023. And we're making a forecast that, let's say, our cost growth will be limited to €155 million to €165 million in the coming 12 months, in spite of the inflationary pressures which we're, of course, seeing. And there are still further synergies to be

delivered that we're not seeing the full benefits of those yet in 2024, so those synergies, particularly in relation to further developments of the Tzeract trading functionality, will likely come further down the line for us.

So, overall, this leaves us with €170 million to €180 million guidance on revenue and €155 million to €165 million guidance on OpEx. Clearly, there are pushes and pulls on those 2024 revenues, but our long-term prospects do remain solid, and we've really limited in our cost growth in 2024 accordingly.

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

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

Thank you, David. All right. So, Q4 was another busy quarter when it comes to things happening. We have already talked about Svenska Spel and LiveScore. I will touch on the new signings later on, and I will talk about Abios later on as well. But WarHorse, I thought was worth mentioning here as well, it's the first retail sportsbook here that anyone has launched in Nebraska, and it actually does quite nice numbers. It's only retail because that is what the regulation allows at the moment. But yeah, seeing early nice numbers growing steadily. We also launched Rush Street in Delaware where we were winning a tender for the state lottery. And the sports betting was launched in December, so it's early days. But again, they are alone in the market, so it should have some potential.

And finally on this slide, we have Bally's launching its 11th US state in January. I think we have already launched the 11th state as well. As David mentioned, I think they have taken a very measured approach to marketing so far. But I really hope that they will start pushing sports betting more in the near future.

So, to our Kambi partner wins during Q4. 711 signed a long-term partnership with Kambi. They have been a very fast-growing casino brand in the Netherlands, and they are now going into sports betting. And I think if I can replicate a little bit of what we have done on casino, it can be a very exciting partner for us.

The second one here, Bingoal, I think has been around for probably three decades in Belgium. They are operating both online and in 350 outlets around Belgium, and we will do both online and retail for them. And I – yeah, they have a very large presence already and we – our product, I hope, will become – regain a good position in the Belgium market. And they have also expanded into the Dutch market.

I also said I would touch on Abios. We have not talked very much about Abios since the acquisition, but I thought now they're really starting to hitting off with their [ph] sports (00:21:24) product. And in November, late November, we launched their esoccer product, which means that, yeah, in December I think we are already were four times larger in terms of bets taken in December compared to November, as you can see on the graph here. It also in December was the fifth most – the fifth league with the most bets taken across the network after some of the really big soccer leagues and NBA.

When we couple their esports product, which is not only growing very quickly in terms of the amount of events we're covering but also it's a much, much better product than we had before, when we couple that with the streaming that we are separately selling to partners, you get an 80% player engagement increase, which makes it even a stronger product.

During the year, I think we will see further improvements, more events on the esoccer, but also a larger presence into other games like Counter-Strike, League of Legends, Dota 2 and VALORANT. So I think it really starts to

move on Abios, which will have a great effect for the Kambi partners on the network. But we also believe that Abios will be able to sell this product externally to other partners.

After the quarter, we have also have some events. First of all, PENN has decided to extend with us for 18 more months to – for their retail network. And we are currently powering 30 retail properties in 13 states for PENN. So, that revenue stream will continue for another 18 months until the end of 2025. So very pleased with that.

And secondly, we have entered into an agreement with a virtual sports provider, Inspired, and we're integrating Inspired's product into our platform. This was a requirement from one of our recent new turnkey customers, and it has also been a requirement from many of our existing customers. So, this is the first example of what we will see more of Kambi opening up the platform and giving our customers some additional opportunities such as the virtuals here.

So to summarize the quarter, there are some near-term financial headwinds, as David communicated here. We are not very pleased with the revenue numbers, as I said. But now, I think we are in a very good spot to move forward. And after 2024, I think we will be in a much, much better spot. We will sharpen our focus towards selling modules again. I think we have come through a lot of the product development we had to engage with because of the launch of turnkey customers we won last year, and now it's time to turn back the focus to the modules. And I would say that the strategic process we had during 2023 has laid a great foundation for success in coming years.

So with that, thank you very much. And we open up for questions.

Mia Nordlander

Senior Vice President-Investor Relations, Kambi Group Plc

Yes. So thank you very much, Kristian. Thank you very much, David. And now it's time for questions. And as I mentioned, you can either call them to us or send them through the web. But over to the operator. I think we probably have some questions on the phone.

QUESTION AND ANSWER SECTION

Operator: Yes, ma'am. [Operator Instructions] Our first question comes from the line of Simon Jonsson from ABG Sundal Collier. Please go ahead. Your line is open.

Simon Jonsson

Analyst, ABG Sundal Collier AB

Q

Thank you and good morning, everyone. I'm standing in here for Oscar Rönnkvist today. First, a question on the 2024 revenue guidance. Can you give any more indications of how much the new Kindred contract is weighing on revenue year-over-year? Thank you.

David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

A

We can't comment on specifics, but hopefully the guidance in total is enough information for you. But no, we can't comment on specific contract numbers. Sorry.

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

A

I mean, I think there is one number you can take some guidance in, and that is that the minimum revenue guarantee over the next three years is €55 million. It could be spread unevenly, but at least it gives you something to hang it on.

Simon Jonsson

Analyst, ABG Sundal Collier AB

Q

Great. Thank you. And also a question on the guidance. Have you included expectations of new signings in the targets? And how much in that case, or would that be a positive contribution?

David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

A

Yeah. Of course, there are some revenues included for new signings. However, signings that is done now and later is probably not contributing until late in the year, so it wouldn't be very much income from it.

Simon Jonsson

Analyst, ABG Sundal Collier AB

Q

All right. Great. Thank you. That's all from me.

Mia Nordlander

Senior Vice President-Investor Relations, Kambi Group Plc

A

Thank you.

Operator: The next question comes from Georg Attling from Pareto Securities. Please go ahead. Your line is open.

Georg Attling

Analyst, Pareto Securities AB

Q

Hello and good morning, everyone. A couple of questions from me just starting off with Shape and Abios. If you could say how much they contributed with in the quarter?

David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

A

Yes. So, Abios was around €0.5 million on revenue and a small loss at an EBIT level, so around €0.2 million of loss. [ph] But say that (00:28:48) you saw in the graph that Kristian showed the real pickup in December. So, I mean, I look forward to updating you with hopefully more positive numbers on them as we move into Q1 and Q2. But if we can see that continued growth from the streaming and the soccer, then I think we'll see more positive numbers in the future.

On Shape, it was around €2.8 million revenue for Q4 and €0.2 million loss at an EBIT level.

Georg Attling

Analyst, Pareto Securities AB

Q

Okay. And on the revenue guidance for 2024, I know you have a new contract now with Kindred, but does that – do you also expect continued pressure on their underlying activity or is it just a contract term question?

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

A

It's mainly a contract term question, but obviously, we don't know ins and out of what will happen after their acquisition. But, I mean, I think their new owner or potential owner has communicated that they are not so interested in some of the markets. So, it's a possibility, I would guess, that they'll wind some of these markets down earlier than by the end of the year. But we don't know that yet.

Georg Attling

Analyst, Pareto Securities AB

Q

Yeah. [ph] That's good (00:30:14). And on the OpEx guidance, €155 million to €165 million, up a bit from this year, just wondering the thinking here when revenue is pretty much flat and – the top line – the top end of the guidance [ph] is despite (00:30:29) quite a bit of OpEx growth. So, what are you baking in here? Is it head count expansion or other operating or if you could just provide more detail on that?

David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

A

Yeah, I mean, of course, there's some costs that are hard to kind of hold back, if you like, in terms of kind of some elements of salary inflation and other inflationary pressures from some suppliers. But I mean, all in all, I think to limit it to I think it's a 1% to 7% or 1% to 8% cost range there. So, I think it's certainly at the low end. And I mentioned on the earlier around the synergies, there's quite minimal impact actually from the synergies in that number. So, I think actually the full benefit of those synergies comes later than 2024.

Georg Attling

Analyst, Pareto Securities AB

Q

Yeah. Okay. [ph] That's good (00:31:21). And then just a question, you were at ICE earlier this month showcasing the update of the product offering. Could you say anything about the reception you got there, both from existing customers and potentially new ones?

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

A

I think the ICE was a really good event for us this year, both on the turnkey. But I think, yeah, it was a lot excitement around all the different modules as well. So, we're – the outcome from ICE is very, very positive for us, and I think we are in really good shape for the future.

Georg Attling

Analyst, Pareto Securities AB

Q

Okay. And just a final question for you, Kristian, now that you'll leave the CEO role. Looking back, is there anything you wish you did differently strategically and what you hope your successor will do differently with what you've done?

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

A

Yeah, that was a big question. I think there is certainly things that we could have done differently, but I think we have done a fantastic job during these years. I believe it's quite hard to always know in what direction we see industry is going. I think, yeah, if you take one of the big decisions we took early on was to be fully regulated and, yeah, I still believe that that has been a good choice. But, yeah, we have seen, for instance, one of the big reasons we did it was to be able to get licenses in the US. And some competitors got licenses without being regulated. So, yeah, that is probably the – one of the biggest decisions that we could look back on. I think we did the right decision at that point. Not sure we will do the same again.

Georg Attling

Analyst, Pareto Securities AB

Q

Okay. And on that topic, now that we've seen that operators or suppliers, I should say, who operate in unregulated markets have no problem with the licenses, will you revisit this decision or firm on just doing the regulated?

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

A

It's definitely something we will [ph] look – we are (00:33:57) reviewing. I do believe that the – yeah. Yeah, we will come back on that, but it's something we're reviewing whether we should take a slightly different stance. Having said that, I think it's – yeah, you asked the question on how far we could possibly go in that case.

Georg Attling

Analyst, Pareto Securities AB

Q

Okay. Interesting. Thanks a lot for the answers. That's all from me.

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

A

Thank you.

Operator: The next question is from Martin Arnell from DNB Markets. Please go ahead. Your line is open.

Martin Arnell

Analyst, DNB Markets

Q

Thank you, operator, and good morning, everyone. So my first question is on the revenue outlook. You commented on 2024 and we know that you expect a bigger contribution from new customers from Q3. So, if you look further out, how should we look at 2025 in light of that when it comes to the growth outlook?

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

A

I mean, we gave a one-off guidance for 2024, so I will not give you more guidance on 2025. We have given a 2027 guidance – or not a guidance, a target. That will be reviewed but, I mean, yeah, we will not give you more than what we said at this point.

Martin Arnell

Analyst, DNB Markets

Q

[indiscernible] (00:35:37) should we view your company as like growing in line with the sector or could you give any light on what you view as a sort of medium-term growth ambition?

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

A

I mean, it's so hard to look at the growth in terms of percentages when you have so many moving parts here with quite significant contract renewals. You have one of our largest partner leaving the business online in 2025 and so on. So, I don't think talking about growth in terms of percentages is relevant for the next coming years.

Martin Arnell

Analyst, DNB Markets

Q

If I may, Kristian, can I rephrase that and ask you about what do you expect the underlying growth in your customer network to be?

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

A

I would expect it to be higher than average, because we still have quite a large portion of customers who are coming from low levels.

Martin Arnell

Analyst, DNB Markets

Q

Okay. Thanks. And then if I look at your cost, it's been a little bit lower than what you've guided for on the 2023. And how should we view these ranges in revenue and cost? Is it possible that the sales guidance could come in in the high end at the same time as the cost would be in the low end? Is that the possibility [indiscernible] (00:37:15)?

David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

A

Yeah, certainly a possibility because, in this business, there's not a direct link necessarily between the revenue and the cost. So of course, yeah, I mean, it can – you could see high on the revenue range and low on the cost range. It's absolutely feasible.

Martin Arnell

Analyst, DNB Markets

Q

Okay. Thanks for clarifying that. And then could you say anything about your long-term margins? Have your expectations changed when it comes to that?

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

A

Are you talking about the betting margin now?

Martin Arnell

Analyst, DNB Markets

Q

I was more referring to operating margins.

David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

A

Again, it comes – I think it comes a lot down to the regulations we talked about. If things happen as we hoped, this – it can be, of course, a significant increase in operating margin. But so much of that 2027 number is dependent on that, and that's the review that we're undertaking. So, hopefully, we'll come back with new guidance for you as when we have a little bit more clarity on that.

Martin Arnell

Analyst, DNB Markets

Q

Okay, thanks. And then, my final comment, Kristian, you're resigning and you're joining the board. What do you think is the main characteristics that the board is looking for in a new CEO of the company?

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

A

I would – I don't think it's right for me to answer that question since that is more on the Chairman and the rest of the board to find my replacement.

Martin Arnell

Analyst, DNB Markets

Q

Okay. I'll try to get hold of him then. Thank you.

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

A

Thank you.

Operator: There are no more questions from the telco at this time, so I hand the word back to you, Mia.

Mia Nordlander

Senior Vice President-Investor Relations, Kambi Group Plc

A

Thank you very much. We have quite a few questions here. So, I think we should start with you, Kristian.

Modularization and the selling modules, you have talked about Bet Builder. How do you see it? Do you think it's a high demand from the US or when do you think we can see the first deal? And I think, we're not talking about Abios and Shape, I mean, more...

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

A

I mean, I assume that we're talking about the large deal and, I mean, there is not that many out there. There is a lot of interest, but it's also quite fickle when it comes to timings. But I'm very positive and I think we have some really interesting discussions now. And as I said, I think we're ready to focus on getting product to the market as well. So, I would be hoping that we will be able to announce something during the year.

Mia Nordlander

Senior Vice President-Investor Relations, Kambi Group Plc

A

Great. David, a few questions regarding the 2024 guidance. Is this including PENN's extension and have you included new potential customers during the year? Thank you.

David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

A

Yes and yes. Yeah.

Mia Nordlander

Senior Vice President-Investor Relations, Kambi Group Plc

A

Kristian, you just communicated that Eyas is not continue. How do you make the due diligence on your new customers to know that they are good to actually take on board?

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

A

I think we do a very thorough process. In this case, I mean, Eyas is owned by a giant in the market, Merkur. So, I mean, they had all the abilities to do this, but I don't know why they changed their mind about moving into Brazil. But I would obviously take on that kind of customer next time as well.

Mia Nordlander

Senior Vice President-Investor Relations, Kambi Group Plc

A

Kristian, it's probably rather a question for Anders, our Chair. But with the new leadership, do you think the strategy will change?

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

A

No, I think we have been quite clear, both me and Anders. But we believe we are on a very good path with the strategy. But of course, I'll assume that a new CEO also will have an input on what he or she thinks about that.

Mia Nordlander

Senior Vice President-Investor Relations, Kambi Group Plc

A

A question regarding PENN retail. Will this impact the termination fee? I think you referred to actually the transition fee. The termination fee was paid last year, but maybe...

David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

A

Correct.

Mia Nordlander

Senior Vice President-Investor Relations, Kambi Group Plc

A

...you can give some clarity there, please?

David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

A

No, it won't affect those transition fees. That was €15 million and it's recognized July 2023 through to July 2024, but it's all in relation to the online transition that we're supporting them with. So, no, no impact on that.

Mia Nordlander

Senior Vice President-Investor Relations, Kambi Group Plc

A

Thank you for that. And probably for you, David, as well. You mentioned that 75% of pre-match soccer bets are done through AI. Do you expect any cost savings to AI? Yeah.

David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

A

I mean, ultimately, yes. And that's why I talked about those synergies we'll see either at the end of the 2024 or slightly beyond that time period. But ultimately, yes, I mean, that's one of the reasons why we're doing this. It's not only a better product but also it's – there's less human intervention in that product, yeah.

Mia Nordlander

Senior Vice President-Investor Relations, Kambi Group Plc

A

Thank you. Kristian, can you talk more about Bally's during the year, why has been slower than you expected?

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

A

No, I can't talk very much about it. I mean, that's not – yeah, we expected them to push the product much more. They have chosen another strategy. I don't know if they're waiting to reach a certain amount of states before pushing sports betting or what is holding them back, but we certainly expect them to become much larger than they are at the moment.

Mia Nordlander

Senior Vice President-Investor Relations, Kambi Group Plc

A

Thank you. David, some clarity on the new Kindred contract. It has different commercial terms. However, given that Kindred is yet to roll off your sportsbook, how come this does not offset this? Maybe that we have three-year

contract then. I think you talk about the 2024 guidance and how Kindred will impact there. I think we should give some clarity in that is a three-year contract, basically. Yeah.

David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

A

It's a three-year contract. I'm not quite sure I understand the framing of the question.

Mia Nordlander

Senior Vice President-Investor Relations, Kambi Group Plc

A

Yeah. I think is that, yeah...

[indiscernible] (00:44:06)

David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

A

...on all the business that we operate. And at this stage, that's...

Mia Nordlander

Senior Vice President-Investor Relations, Kambi Group Plc

A

Yeah.

David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

A

As in the past, it's not France and Australia or not France, sorry, but it's predominantly the rest of the business.

Mia Nordlander

Senior Vice President-Investor Relations, Kambi Group Plc

A

Yeah. Yeah. This would be – I would answer this that the guidance includes potential new contracts as you answered, Kristian. But sales pipeline. How do you see that? US and [indiscernible] (00:44:36)

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

A

Yeah, I think it's looking really, really good. I know I said it many times. I think we delivered on it last year. We have Svenska Spel, LiveScore and Bally's. I think we have seen a lot of interest from quite large operators during the last couple of months. So, I think it's in really good shape at the moment. And I will say, both on the modular side and on the turnkey side.

Mia Nordlander

Senior Vice President-Investor Relations, Kambi Group Plc

A

Thank you. David, given the share price development and the strong balance sheet, do you plan to accelerate the share buyback program?

David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

A

I mean, I can say. We've announced the scheme that runs through to the AGM, which is in May, so there will be more buybacks under that previously announced scheme. And then, let's see what mandate we look for at the AGM. I know the board's working on that, so we'll watch this space, I would say, for beyond May.

Mia Nordlander

Senior Vice President-Investor Relations, Kambi Group Plc

A

Another question on the 2024 guidance. Can you say something about Brazil and expectations there?

David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

A

I mean, we have one signed operator that we're waiting – is just waiting for regulation in Rei do Pitaco. So, that's kind of locked in. They're just waiting for the regulation to come. And then, it's a question of when will that regulation be in. I mean, it's going to be – I think, we're all assuming second half of 2024 at some point.

Mia Nordlander

Senior Vice President-Investor Relations, Kambi Group Plc

A

Yeah. And also, we expect it's going to be a highly competitive market. We...

David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

A

Yeah. I mentioned, I mean, I think there's – operators need to make a formal expression of interest and get taking a sports betting license. And I'm aware there's over 100 who have expressed interest. So, it will be competitive but I'm sure we can succeed.

Mia Nordlander

Senior Vice President-Investor Relations, Kambi Group Plc

A

In your guidance, how much of Kindred sportsbook have you assumed that Kindred would in-source this year?

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

A

Not very much. I mean, I think – yeah, what we have understand from their communication, 2024 will mainly be outsourced to us. I think we will do some test markets but not much more than that.

Mia Nordlander

Senior Vice President-Investor Relations, Kambi Group Plc

A

Yeah. Kristian, do you see any price pressure from existing customers when you renegotiate?

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

A

I mean, you always see some price pressure. But I think the largest part with the new contracts is that customers has grown, so they become often much more significant customer. And then, they move to another kind of tier where we would look at them and then where price naturally goes down. I would also say that, I mean, in the case of Kindred, I think this was the first time the contract was negotiated on more total commercial terms. We have always had to give them a convertible bond before; whereas this time, we negotiated without the convertible bond in place.

Mia Nordlander

Senior Vice President-Investor Relations, Kambi Group Plc

Tzeract, are they fully ready to sign customers now?

A

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

They are quite ready. However, I think that they need more products to sell. At the moment, it's only pretty much soccer. I think they – to have a product to really sell to the market, I think we need a little bit more.

A

Mia Nordlander

Senior Vice President-Investor Relations, Kambi Group Plc

Thank you. And another one for you, Kristian. When you lose a deal to new potential customers, what is the biggest reason for that? Is it price or is it flexibility or PAM?

A

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

I will say price is probably the largest reason. Now, I would say that we don't lose that many opportunities to competitors. But yeah, when it happens, I think they have come in much, much lower than us on price.

A

Mia Nordlander

Senior Vice President-Investor Relations, Kambi Group Plc

Rush Street, can we give some color there? How are they performing?

A

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

I think Rush Street is doing very well. They have taken more of a stance of focusing on certain markets in the US. They are a casino-first brand in the US, but I think they are doing well. They're doing very well in some of the markets in Latin America as well. So, yeah, very good partner to us.

A

Mia Nordlander

Senior Vice President-Investor Relations, Kambi Group Plc

Thank you. In your strategic review, will you discuss about entering more gray markets?

A

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

As I said, I mean, this is something we always have as a discussion point and the landscape is changing, as I said. I mean, we didn't believe that regulators would be as lenient especially in US to working with suppliers who had gray markets. But that has turned to be very different than we thought from the beginning.

A

Mia Nordlander

Senior Vice President-Investor Relations, Kambi Group Plc

Okay. I think that was it for today. Thank you very much, Kristian. Thank you very much, David. Thank you very much for listening into us today. We will be back here for the Q1 report on the 24th of April. And if you have questions, of course, feel free to reach out to the IR department. And I wish you a very good day. Thank you very much.

Kristian Nylén

Chief Executive Officer, Kambi Group Plc

Thank you.

David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

Thank you.

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