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Kambi Group Plc (KAMBI.SE)

Q3 2024 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Mia Nordlander

Senior Vice President-Investor Relations & Sustainability, Kambi Group Plc

Good morning, everyone, and very welcome to Kambi's Q3 2024 Report Presentation. My name is Mia Nordlander. I'm the SVP, Investor Relations & Sustainability. And today, I'm here with our CEO, Werner Becher; and our CFO, David Kenyon. We will today hear a presentation from Werner and David, and thereafter, we will have time for questions. [Operator Instructions] So, once again, very welcome to this presentation.

We will start with some highlights from Werner. Thereafter, David will talk about the financial summary. Then Werner will come back to talk about some commercial and strategic updates, and then we have a summary followed by Q&A.

So, over to you, Werner.

Werner Becher

Chief Executive Officer, Kambi Group Plc

Thank you, Mia, and good morning.

Q3 was another busy quarter for Kambi with Euros and Copa América tournaments ending and several important partner signings. We reported a solid underlying growth with operator turnover increasing 14%. And despite the higher than normal margin, we also saw a 16% rise in revenue when accounting for last year's PENN transition fees and one-off license revenues.

With KTO, we signed a fast-growing top 10 brand in Brazilian market. Rush Street Interactive has enjoyed great success across the Americas by utilizing our sportsbook. We're delighted to have signed a long-term contract extension with Rush Street to secure important revenue for Kambi.

Shortly after the quarter, we hit a key milestone in our modularization strategy. We presented our new product portfolio and announced partnerships with Hard Rock Digital and Rei do Pitaco for our new promising Odds Feed+ product. And just this morning, we announced a new share buyback program of €12 million, a size significantly larger than what we've previously done.

Handing over to you, David.

David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

Thank you, Werner. Good morning, everyone.

So, the summary of the quarter. Revenue for the quarter was €43 million with an increase in both operator turnover and a higher operator trading margin in Q3 last year. Last year's number of €42.1 million included some nonrecurring items also, €2.6 million of nonrecurring license revenues and €2.3 million more PENN transition fees, fees which actually ended in July 2024. So, excluding these one-offs, revenue was actually up 16% year-on-year.

Earnings before interest, tax, and amortization on acquisitions was €4.9 million, and our total expenses were €39.4 million. Excluding FX from these numbers, expenses were €38.5 million, which is at the bottom end of the range we previously guided on.

We saw a strong cash flow in the quarter, and this led to an increase in our cash balance by the end of September to €60.5 million. And as Werner mentioned, we're really pleased to have announced this morning a €12 million buyback program, which will run until the next AGM in May 2025, putting our strong balance sheet to good use.

This is the operator trading analysis we presented. It's an aggregation of the results across the turnkey portfolio with the blue columns being an indexed version of the operator turnover originally set at 100 when we first floated, and the orange line now is the aggregated operator trading margin across the portfolio.

So, firstly, the operator turnover, that was up 14% from 602 in Q3 last year to 687 this quarter. We saw growth from our new customers, in particular LiveScore and Svenska Spel, as well as growth from our existing operators. We also saw this quarter the final matches of both Euro 2024 and the Copa América with 11 and 12 matches respectively in the quarter, and, of course, the Olympics in July and August. These increases were offset by both Napoleon and Kindred in the US, which added zero turnover in this quarter. But, all in all, a 14% increase in turnover. The margin was 10.4%, which compares to 8.8% in Q3 last year. This 10.4% is obviously a high margin, higher than we typically see. And we saw high margins especially in the NFL, in baseball, and in football, in particular in the Copa América. So, these factors, which were offset by those nonrecurring items I mentioned in Q3 last year led to revenue increasing from €42.1 million to €43 million.

In terms of our cash, we had €52.7 million in the bank at the start of the quarter. This was boosted by operating profit of €3.6 million to which we also add back amortization on the intangibles we acquired through our M&A, another €1.3 million. We saw a positive movement on our working capital in the quarter, especially with debtors

decreasing due to some payment timing differences on some of our larger accounts. And, all in all, this led to an €8.1 million increase in cash to €60.5 million.

As I mentioned today, we announced a €12 million buyback program. This is in line with the capital allocation strategy we announced earlier this year to return capital to shareholders through buybacks whilst preserving sufficient capital for our operational requirements. This program takes us through to the next AGM where we will likely seek a fresh mandate in order to be able to carry on this kind of buyback program long-term.

And with that, I'm going to hand back to Werner.

Werner Becher

Chief Executive Officer, Kambi Group Plc

Thank you, David.

When I joined Kambi three months ago, I already knew that I was joining a company with great potential. But today I'm even more excited about all the opportunities for Kambi in its evolution into becoming the home of premium sports betting solution offering now seven stand-alone products. Of course, our Turnkey Sportsbook remains our flagship product. And we believe that the quality of exactly this sportsbook gives all our other model of products the edge over the competition. But not everything is going in our favor. For example, Kindred and LeoVegas moving away from our Turnkey Sportsbook. Looking ahead Kambi's customer base will continue to evolve, which means we want to have clear goals, and we want to have a more [ph] diversive (00:07:16) partner structure going forward. We won't be overly reliant on a small number of operators anymore.

To increase productivity and to remove inefficiency from our operation is relevant for our long-term success. Based on a very strong balance sheet, work is already underway to further reduce our cost base moving forward. We want to work smarter and faster. On the whole, I'm very passionate and I see a bright future for Kambi even if the short term requires us to roll up our sleeves.

A lot has happened since our last quarterly presentation, and you can see some examples here on this slide. Kambi completed nine partner launches in the quarter. In July, we launched LiveScore brand, Virgin Bet in the UK and Ireland. We signed a front-end agreement with Paf, our Shape Games division. Paf will now have access to our new software development kit to have even more control over its front-end client.

And it would be remiss not to mention the long-term extension of our partnership with Rush Street Interactive. This agreement secures important revenue for Kambi, and it's one example of why we've been working on opening up our sportsbook to enable even greater differentiation for all of our partners. Rush Street has enjoyed great success across the Americas by utilizing our sportsbook in their own very unique way, by integrating it deeply into its own proprietary platform. And I will talk a little bit more about some of these examples here on the slide later, including the signing of KTO, the launch of our new product portfolio, and also our Odds Feed+ deals with Hard Rock Digital and Rei do Pitaco.

For the past two years, we have been speaking a lot about Kambi becoming more flexible and about our modularization strategy. The development has taken a little longer than hoped due to changed priorities related to the wins of LiveScore core and Svenska Spel. We're excited about all seven products we're offering now and Kambi's evolution into becoming the home of premium sports betting solutions. We believe each product is either market leading today or has the potential to be soon. But why are we so convinced that our Turnkey Sportsbook gives all our products the edge over the competition?

Our new Odds Feed+ product is a prime example of this. Through a simple integration of a single API, operators can gain access to Kambi's full library of unique premium odds, including those from Abios and Tzeract. And we named it Odds Feed+ because we believe it provides operators with more than what is available elsewhere on the market today. Because our odds are actively traded and managed through our turnkey liquidity, our large turnkey liquidity being sharpened constantly by the billion of bets we trade and manage each year. This edge was underlined by a number of very prominent sportsbook signings in the last few weeks. Clearly, Odds Feed+ has already proven that it can and will increase our addressable market. Hard Rock Digital is a very good example about this while it will also demonstrate its ability to retain partners like Rei do Pitaco who would otherwise have left us.

We continue to work hard to make sure that we can offer our partners leading products in their local markets. With that premium Turnkey Sportsbook, we've had two major developments. Firstly, it was great to sign KTO. Probably not the brand everyone is aware of. But KTO, over the past few years, has become a fast-growing top 10 player in the Brazilian market. With the Brazilian regulated market expected to open in January, KTO realized it required a sportsbook now to compete with the big global players. And a product they can trust is always 100% compliant with this new regulations in Brazil. That KTO has decided to transfer to Kambi, from its incumbent sportsbook supplier, is clearly a vote of confidence in the quality of our products for the Brazilian market.

Secondly, we've been a proud partner of Rush Street Interactive since 2018, supporting their growth not only in the US but also in Latin America, too. And I'm delighted we have the opportunity now to build on this relationship over the coming years with the long-term extension of our contract.

Since we've officially launched our new Odds Feed+ product just a few weeks ago, we've seen great interest, particularly at the G2E show in Las Vegas and SBC Summit Latinoamerica recently. We are very proud that we could sign our first two odds deals with partners in the last few weeks. The edge over similar products in the market was underscored by the recent partnership agreement with leading US operator, Hard Rock Digital, an example how our new modular products increase our addressable market.

In terms of Rei do Pitaco, we had a Turnkey Sportsbook agreement with them in place previously. But RDP were always open with us that they would be looking to build an in-house sportsbook based on their existing fantasy sportsbook platform at some stage. Our turnkey deal was due to expire already next year. So, I'm delighted that we have agreed a long-term deal now with our new Odds Feed+ product, and we will remain an integral part of their sportsbook for the years to come. RDP is an example demonstrating the ability of our new modular services and products to retain partners that would have otherwise left.

Outside of the turnkey and our Odds Feed product, we have also seen developments across front-end and esports. We continue to see solid cross-sell and upsell potential for these areas. Talking front-end first, which is delivered by our Shape Games division. We have signed two new partnerships with Kambi sportsbook partners in recent months with Paf and with Choctaw. Both these show the full flexibility of our front-end services with Paf opting to leverage Shape's software development kit while Choctaw will utilize Shape's fully managed front-end services.

Looking to esports next. After a commercial successful year so far, Abios launched ebasketball, a new product, only a few days ago following the continued success of their esoccer product. And in Q3, Abios partnered with Kambi's sportsbook partner, Svenska Spel, to deliver its full esoccer offering, including odds, streams, and widgets. Both examples show our ambition to realize further synergies from recent M&A.

While new market regulation in general has been moving at a slower pace than we had anticipated, we look forward to the launch of Brazil, which is expected to take place in January. Based on our great success in neighboring states and countries like Colombia, for example, we believe we have a market-leading product for Brazil. We've already spoken about the signing of KTO and Rei do Pitaco, which is evidence of the quality we have. However, we also have a number of other partners set to enter this market, and we look forward into supporting them to do so.

There are ambitious industry expectations for Brazil as you can see from the forecast on the chart here. But it's also important to remember that this has long been a gray market. The current gray market leaders will be entering the regulated market along with some other new market entrants soon, meaning competition will be fierce in Brazil. Nevertheless, new market regulation is always a plus for Kambi, and we look forward to seeing what Brazil will bring for us.

So, to summarize, several new partner signings and extensions. We're delighted to see our modular products gaining traction underscored by the recent partnership agreements with leading operators. Our new Odds Feed+ product has already proved it can increase our addressable market while also demonstrating its ability to retain partners that would have otherwise left us.

With more products in the pipeline for our modular services, we are adding a new revenue stream on top of our existing Turnkey Sportsbook business to further accelerate growth. And with some bigger operators moving away from our Turnkey Sportsbook, of course, we have some near-term headwinds to manage. But we are very excited about all the opportunities for Kambi's evolution into becoming the home of premium sports betting solutions.

QUESTION AND ANSWER SECTION

Mia Nordlander

Senior Vice President-Investor Relations & Sustainability, Kambi Group Plc

A

Okay. Thank you, Werner. Thank you, David. It's now time for questions. You can either call in to us here. [Operator Instructions] We have a few questions. Martin Arnell, DNB. Good morning.

Martin Arnell

Analyst, DNB Markets

Q

Good morning, guys. Can you hear me?

Mia Nordlander

Senior Vice President-Investor Relations & Sustainability, Kambi Group Plc

A

Yes.

Martin Arnell

Analyst, DNB Markets

Q

Perfect. Thank you. I want to start – can we just start with a question on your minor changes of the full-year communication? I think you fine-tuned down your revenue for the full year and also lowered the cost guide. Can you comment on the reasons for these small adjustments? Thank you.

David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

A

Yeah. I mean, I would say – hi, Martin. I would say they are small adjustments. On the revenue side, it's really a narrowing within the original range. So, that was €170 million to €180 million. Of course, at the start of the year and in the earlier stages in the year, there were so many moving parts in that revenue number from customer marketing spend and activity to churn or new signings or margin, a huge number of variables. So, now, later in the year, we were able to really narrow that down, and really it's just the narrowing towards the center of the range, okay. Not quite to on €175 million but it's very close to the center.

On cost, I think we've been kind of flattish throughout the year. And, looking ahead, we're now quite clear on what our costs are going to be during Q4. And we can say with confidence to a €2 million range. Where that's going to be, and that's very much at the low end of what we said at the start of the year. So, all in all, I think the position is broadly what we expected it to be, and yeah, no real changes from our perspective.

Martin Arnell

Analyst, DNB Markets

Q

And just a minor follow-up. If I look at the midpoint of your revenue for the full year, its implied number for Q4 is slightly below that for Q3 although we know that Q4 is sort of the biggest quarter in the industry. Can you just explain the headwinds why this is? Thank you.

David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

A

Yeah. Firstly, I should mention the – obviously, the PENN transition fees, which we had €1.1 million in July, so they will stop. So, that's obviously a headwind. Then we had a high margin in Q3. I don't think we can expect that high margin to continue. We expect that to normalize in Q4. But that would be offset by the seasonality, so the full quarter of, in particular, NFL and soccer. So, yeah, all in all, that kind of gets us to that new range that we set out.

Martin Arnell

Analyst, DNB Markets

Q

Okay. Thank you. And on the cost situation and you mentioned, Werner, that you see efficiency focus ahead, and I guess we're only in the very early days of this. How much do you see? How big is the potential here to focus more on efficiency?

Werner Becher

Chief Executive Officer, Kambi Group Plc

A

So, I think it's clear for an incoming CEO that operational excellence is something you're looking already in your first few days. So, of course, I see also some cost-saving potential here in Kambi, although we always manage our costs prudently. So, of course, AI is a big topic not only in our Tzeract division but also across the whole business at Kambi. We're looking at it at the moment where we can use more AI tools in the company.

If we have to right size of all our teams is also something we're looking in if we really focus on areas with high-growth potential. So, there are many areas and we look into all areas where we can get more productive and we can be more efficient going forward. Some of these cost-savings are already underway, and David talked a little bit about it. We are already now coming in flat with costs. We will talk more about in Q4 about our expectations of this cost savings.

Martin Arnell

Analyst, DNB Markets

Q

Will you provide a full year-guide for 2025? Will you have this revenue range and cost range or should we expect that?

David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

A

Certainly the cost range and quite likely the revenue range. I mean, there's obviously a lot of moving factors like I mentioned earlier. So, yeah, I think we'll look into the revenue, but probably and definitely the cost range, yeah.

Martin Arnell

Analyst, DNB Markets

Q

Okay. Thank you. One final question from me is to you, Werner. If you at Odds Feed+ product and you compare it to similar products from competition, what would you say is the main edge in Kambi given your experience from other companies on the supply side?

Werner Becher

Chief Executive Officer, Kambi Group Plc

A

Yeah. So, first of all, we are a premium sportsbook supplier. So, comparing our products to the products of data suppliers, I think is that we don't provide midpoints of markets or something like that. We trade actively our odds based on a double-digit billion liquidity we have simply on our Turnkey Sportsbook. This means our odds are sharpened, they are traded. While Hard Rock Digital, for example, acknowledged that adding our Odds Feed+ product in addition to existing data supplier odds feed they have already integrated will benefits them. So, we have experience over 14 years now at Kambi to fine-tune our systems, to keep the customers, the punters out there engaged. So, I think the edge of this product is the big turnkey liquidity, but all the nitty-gritty details as well we've put into this product for the last few 14 years now.

Martin Arnell

Analyst, DNB Markets

Q

Okay. Thank you, guys. That's all for me.

Mia Nordlander

Senior Vice President-Investor Relations & Sustainability, Kambi Group Plc

A

Thank you, Martin. Next...

Werner Becher

Chief Executive Officer, Kambi Group Plc

A

Thanks, Martin.

Mia Nordlander

Senior Vice President-Investor Relations & Sustainability, Kambi Group Plc

A

Next one is Oscar Rönnkvist from ABG. From ABG. Good morning.

Oscar Rönnkvist

Analyst, ABG Sundal Collier AB

Q

Thank you very much and good morning. So, just the first one, I would like to talk a little bit about the guidance as well and sort of what it's baked into this. Obviously, very high trading margin in Q2 and Q3 alongside Euros and Copa América. I think Rush Street has another conference call that the October football results in the US were very, very player-friendly. So, just wondered, I mean, your guidance is assuming a normalized margin for the remainder of Q4, but it's a weak October trading margin already baked into your guidance. Thanks.

David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

A

Yeah. Yes, it is. So, it is baked in. Yeah. But, hopefully, for the rest of the quarter, we'll see a more normal margin, which – so, no reason not to expect that really.

Werner Becher

Chief Executive Officer, Kambi Group Plc

A

I think when Richard Schwartz talked about the football margin in the US, this was two weeks ago and the quarter was quite young. So, the situation has changed, I mean, meanwhile a little bit. So, we are at a more normal level now again.

Oscar Rönnkvist

Analyst, ABG Sundal Collier AB

Q

Okay. Got it. Got it. Thank you. Then just the next one. Wanted to hear your thoughts about the sportsbook margins. Obviously, I mean, you are trending higher and higher, and I guess it's a result of the increase in parlay bets. And just looking at – I mean, I think it was a bit ago, I mean, Flutter had the same-day presentations talked about structural revenue advantage of a higher structural hold in sports betting in general. So, just wanted to hear your thoughts. I mean, how are you going to balance this trend? So, I mean, obviously, you could either, I mean, exploit the higher structural margins by increasing the hold rates or else, I mean, you could make the prices more competitive to try to gain market share from, for instance, Flutter and DraftKings, etcetera. So, how do you balance this and what can we expect from you going forward?

David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

A

Yeah. I mean, I think we've always talked about an optimal trading margin, so – and one that provides the right level of payback to the players so they can enjoy the experience and for the operator still to make the right level of money that they're looking to make. We've also actually got payback tools whereby operators can flex that payback according to their needs [ph] in their (00:27:02) marketing campaigns. So, yeah. Then you see the increase in prevalence of parlays, which obviously push up the margin. So, it's definitely what we keep looking at. In our mind we set what we think is the optimal margin, and then it's up to the operators to adjust it if they see fit.

Werner Becher

Chief Executive Officer, Kambi Group Plc

A

I think this trend is also driven a lot by the increasing importance of bet builder and our market-leading Bet Builder product. And you mentioned it, Oscar, so more and more parlays. This is because of our Bet Builder product, but also, let's say, that the betting behavior in North and South America is a little bit different than what we were used to in Europe. It's more single in-play bets. So, having more parlays now in the different regional footprint also comes into this.

Oscar Rönnkvist

Analyst, ABG Sundal Collier AB

Q

All right. Perfect. So, are you saying it's more on the operator side to sort of adjust the hold rates here rather than from your side?

Werner Becher

Chief Executive Officer, Kambi Group Plc

A

No. It's always a joint approach. So, when it comes to trading the perfect margin, to have a high entertainment factor for their punters, customers out there, this is a very joint discussion we have quite frequently with them. It's not their's. It's not our decision. It's the experts working together.

Oscar Rönnkvist

Analyst, ABG Sundal Collier AB

Q

Got it. Perfect. And, I mean, just as this sort of opportunity arises, I mean, do you see any evidence of – assuming that you have a stellar product then a very good trading platform. So, I mean, do you see any evidence of – I mean, if you could undershoot like Flutter, for instance, there on some sort of the same sort of parlays or games just by having a lower hold rate, do you see any evidence of gaining market share due to that?

Werner Becher

Chief Executive Officer, Kambi Group Plc

A

If you're talking about Flutter and DraftKings and therefore specifically about the US, I think the success of Rush Street Interactive in the US underlines in their growth rate that our product is very, very competitive. So, we are working hard because our customers expect to be at least on par when it comes to product, odds with the very, very big ones out there. And, again, I think Rush Street is a very good example that shows that our priority is at least as good as the ones of very big Tier-1s and Tier-3 operators.

Oscar Rönnkvist

Analyst, ABG Sundal Collier AB

Q

Perfect. Thank you. And just then on the pipeline, obviously, I mean, you announced your buybacks this morning. So, just looking at the pipeline going forward in terms of new signings, so, I mean, you're talking a little bit about not having to have a similar sort of dependency on individual customers. So, I guess that your main approach now is to go for modular signings. Are you seeing an interest from still the big operators or can we expect like bigger magnitude of the number of signings rather than going for the big ones, or how should we think?

Werner Becher

Chief Executive Officer, Kambi Group Plc

A

So, please, let me repeat. We definitely will not lose focus on our Turnkey Sportsbook, right? This will be also our flagship product going forward. But, yes, with this new model of products, specifically with Odds Feed+, we see a lot of traction on the market, and the clear goal is to increase our addressable market. There are many operators out there, many big operators, but also midsized operators who have in-house sportsbook and who would be never customer of Kambi. But with these newer products, we can address them, we can work together with them. And Hard Rock, in the US, I think shows that there is interest in our product. And also, G2E, SBC Latinoamerica, in the last few weeks, we only announced this product a few weeks ago, please don't forget, shows that we are very comfortable with looking to our sales pipeline not only for modular products but also for the turnkey.

Oscar Rönnkvist

Analyst, ABG Sundal Collier AB

Q

Perfect. Thank you. Sorry, I've a lot of questions today. If there's any color on the Kindred and MGM rolloff in terms of timing, could you say anything on that?

David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

A

We don't really have much color. I mean, I think you're going to have to wait for them to announce their position. I think Kindred talked about rolling off one market in Q4, but we don't really have anymore, anything to add to that really.

Oscar Rönnkvist

Analyst, ABG Sundal Collier AB

Q

All right. And MGM, nothing on LeoVegas?

David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

A

No, nothing further to add.

Werner Becher

Chief Executive Officer, Kambi Group Plc

A

So, we signed an extension of the contract with LeoVegas MGM last year as announced. And their acquisition of typical US sportsbook is also quite fresh. So, it's only a few weeks ago they signed this deal. So, we are in close discussions with them also about our new model of products, of course, but also about how a road map from their side could and should look like. But I think they are still in the planning phase about this.

Mia Nordlander

Senior Vice President-Investor Relations & Sustainability, Kambi Group Plc

A

And just a reminder that we have a minimum guarantee with Kindred, of course, with the contracts...

Werner Becher

Chief Executive Officer, Kambi Group Plc

A

Yeah.

Mia Nordlander

Senior Vice President-Investor Relations & Sustainability, Kambi Group Plc

A

...that ends in end of 2026.

David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

A

2025.

Mia Nordlander

Senior Vice President-Investor Relations & Sustainability, Kambi Group Plc

A

2025. Sorry.

David Richard Kenyon
Chief Financial Officer, Kambi Group Plc

A

Yeah.

Werner Becher
Chief Executive Officer, Kambi Group Plc

A

Yeah.

Mia Nordlander
Senior Vice President-Investor Relations & Sustainability, Kambi Group Plc

A

[indiscernible] (00:32:27) Yeah.

Oscar Rönnkvist
Analyst, ABG Sundal Collier AB

Q

Perfect. And on MGM, I think they're launching in Brazil together with a partner, right, with [ph] a BetMGM (00:32:37) international brand. Is that something that you are preparing to power or is that something that is excluded in your contract?

Werner Becher
Chief Executive Officer, Kambi Group Plc

A

So, we signed a contract for the internal expansion of the business last year. But in which markets we are going together with them is commercial sensitive information and is confidential. Unfortunately, I can't disclose this.

Oscar Rönnkvist
Analyst, ABG Sundal Collier AB

Q

I see. I see. Perfect. Thank you. I just have a final question. I mean, you have elaborated a little bit on the previous Capital Markets Day about assumptions on the market shares. Do you have any market share targets in Brazil that you could share with us?

Werner Becher
Chief Executive Officer, Kambi Group Plc

A

No, because the market is quite immature. We know that hundreds of operators have applied for a license. We think we are in a good place with RDP, with KTO, and some of our existing customers. But the situation will change after the licensing has started a lot and will be not comparable what we have seen now in the pre-regulated phase. So, we have no clear expectations here. But regulation, as mentioned, is always in favor of Kambi normally.

Oscar Rönnkvist
Analyst, ABG Sundal Collier AB

Q

Perfect. I'll stop there. Thank you very much, guys.

Werner Becher
Chief Executive Officer, Kambi Group Plc

A

Thanks, Oscar.

Mia Nordlander

Senior Vice President-Investor Relations & Sustainability, Kambi Group Plc

Thank you.

A

David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

Thank you.

A

Mia Nordlander

Senior Vice President-Investor Relations & Sustainability, Kambi Group Plc

Okay. I think that was what we had from the conference call. Now, we have time for questions on the Web. I start with you, Werner. Now when you are coming in with fresh eyes, it would be interesting to hear your view on competition and Kambi's position in the markets you can share.

A

Werner Becher

Chief Executive Officer, Kambi Group Plc

Yeah. So, I can only repeat that we see ourselves as premium sportsbook company. So, the question before about data suppliers, our main competitor clearly is OpenBet out there because as premium supplier, we are looking for the bigger and the mid-sized customers. I think having transitioned or we will transition now customers from operators who had incumbent sportsbook suppliers before shows, especially for Brazil, and Brazil clearly is for the whole industry at the moment the focus area, that we have after a very successful period in the US and more to come was California and Texas and very good product also now for South America. And after this South American rush now, of course, please don't forget that the whole Asia-Pacific region is coming also up in probably the next few years' starting.

A

Mia Nordlander

Senior Vice President-Investor Relations & Sustainability, Kambi Group Plc

Thank you. A few question about gray markets and what do you think there. Can you can elaborate a bit, please?

A

Werner Becher

Chief Executive Officer, Kambi Group Plc

I think we did some reviews here, of course, and we've learned a few things in the last few years. So, what we learned? We learned that in the US and in the Netherlands and some other examples, of course, it was not a good idea to be active there already prior to the regulation because cool-off phases or even being kept out from licensing was the consequence of being in this market. But, on the other hand, there were markets like now Brazil, for example, but also Germany and many other examples where operators having been there already prior to regulation had a big, big advantage. They had a big customer base already. They had active customers, and they generated revenue even before.

A

So, my answer is we always look case by case, country by country on all these pre-regulated markets. And Brazil is an example, but also upcoming other countries could be an example where we decide if from a legal, from a license perspective, there is no risk for us, no material risk for us to go in these countries even prior to regulation.

Mia Nordlander

Senior Vice President-Investor Relations & Sustainability, Kambi Group Plc

A

Okay. Thank you. David, a question for you. You will have an AGM soon. Can you explain why we will add the squeeze-out rights there?

David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

A

Yeah. I mean, firstly, the background to the AGM is since we repaid the bond last year, our Articles of Association had many references to the bondholder and that needed to be tidied up. So, that's why we kind of started with a small project of updating the articles. At the same time, we just did a more general view on what should be in a typical, modern Articles of Association as we're relatively old and a squeeze-out was a quite standard provision that made sense to include, I think, for the benefit of the shareholders, frankly. So, yeah, it was just one of the tidy-ups we're making or proposing at this AGM.

Mia Nordlander

Senior Vice President-Investor Relations & Sustainability, Kambi Group Plc

A

Thank you. This is for you, Werner. [ph] Your long talk (00:37:28) about Bet Builder that is best-in-class. Now, it's been around six months since you signed kwiff. What are the discussions with new customers like for Bet Builder?

Werner Becher

Chief Executive Officer, Kambi Group Plc

A

Yes. So, in the last few months, we were fully focused on optimizing and providing the Bet Builder product to existing Kambi network of more than 40 customers to make Bet Builder available now like all managed trading service as well. Also, a stand-alone product is one of the main points on our agenda for the next few months. Please don't forget that our Bet Builder product supports pre-match, live betting, cash out, early payouts, so features no one else can offer on the market today. And we also integrate in the background now odds coming from Tzeract and all their capabilities into this product. So, we will go to the market with Bet Builder soon. But, at the moment, we are fully focused on our existing network.

Mia Nordlander

Senior Vice President-Investor Relations & Sustainability, Kambi Group Plc

A

Okay. Thank you. David, one for you. If you look at the revenue mix a few years ahead, what percentage do you think will come from modules?

David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

A

The modules? It's a million-dollar question. A bigger percentage than now for sure, and we've obviously got high hopes in [ph] 100% (00:38:44) of the product portfolio, I think. We don't know exactly whether revenue growth is going to come from in those, but we got hopes across the board. But Turnkey will remain the flagship as Werner said, and, typically, you make a higher rev share on that. So, that will always, I think, be the clear majority of revenues, but I look forward to seeing how the others develop. It's quite hard to say right now.

Mia Nordlander

Senior Vice President-Investor Relations & Sustainability, Kambi Group Plc

A

Thank you. Werner, this is for you. Do you have an update on the long-term financial targets?

Werner Becher

Chief Executive Officer, Kambi Group Plc

A

I think we talked a little bit about it already. So, first of all, this is a decision the board has to make, but we think to have targets in general is important. But if and when we announce new targets will be decided by the board.

Mia Nordlander

Senior Vice President-Investor Relations & Sustainability, Kambi Group Plc

A

David, a question about costs and recruiting a new CEO. Anything you can share there? I mean, be very transparent with the costs.

David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

A

Yeah. I mean, I can say all the costs relating to the – any hirings [ph] are accrued (00:39:44) as we incur them. And so, I've already presented in the Q2 and Q3 reports. So, they're fully accounted for in what we've presented. Nothing else to come.

Mia Nordlander

Senior Vice President-Investor Relations & Sustainability, Kambi Group Plc

A

Yeah. Here's a question. I think I can take this one. Historically, you send press releases to all new customers. Is this something you will continue with modular customers?

I think our strategy is to, of course, press release the most significant customers. But, of course, this is a great opportunity for us to talk about new signings and give more color and flavor. So, I think not every modular customer, but, of course, the most significant, and our goal is to be as transparent as possible.

A question about time when we launch with customers. It took some time for 711 to launch. Any color you can share there, maybe, David I mean?

David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

A

Well, I don't have the specifics of 711. But, I mean, generally, I know we're very fast to market and have actually got a reputation in the market. And it's the [ph] USP (00:40:40) for us to be faster than the competition in launching customers. So, typically, it can be -- with a good collaboration, it can be a few weeks really I think to launch [ph] it (00:40:50).

Mia Nordlander

Senior Vice President-Investor Relations & Sustainability, Kambi Group Plc

A

Yeah. We have a great example where we've been very, very fast with launching. So, we are ready as soon as our customers are, so.

Werner Becher

Chief Executive Officer, Kambi Group Plc

A

I think also KTO is a very good example. We signed them only a few weeks ago and we see absolutely no problem to launch on 1st of January. So, sometimes it's about contract negotiations. It's not a technical issue we have. We are very fast in integrating and deploying new customers on our platform.

Mia Nordlander

Senior Vice President-Investor Relations & Sustainability, Kambi Group Plc

Okay. I think that was it for today. Thank you very much to Werner and David. Thank you very much for the questions. Kambi will present the Q4 report 26th of February. And, of course, if you have questions, feel free to reach out to the IR department, and we wish you a very good day. Thank you.

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