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Kambi Group Plc (KAMBI.SE)

Q1 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Mattias Eric Frithiof

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

Good morning, everyone and welcome to Kambi's Q1 Presentation. My name is Mattias Frithiof, I'm SVP of Investor Relations. I'm here today with our CEO, Werner Becher; and our CFO, David Kenyon. We will start with the presentation followed by a Q&A. [Operator Instructions] Thanks. Okay.

So the agenda for today, we will start with some highlights by Werner, and then we will move on to the financial summary with David. Then Werner will come back and speak a bit about the operational highlights of the quarter. And then finally, we will have the Q&A.

With that, I hand over to you, Werner.

Werner Becher

Chief Executive Officer, Kambi Group Plc

Thank you. Good to be here again to talk through our Q1 report following a quick turnaround from our Q4 presentation late February. In Q1, we delivered revenue growth of 7% when excluding the impact of transaction fees. While this financial performance is broadly in line with our expectations and under no illusion, that we must improve and our aspirations for the business are far higher.

As you'll be fully aware, the macroeconomic picture has become a little more volatile in recent months. Kambi is not directly affected by the recently proposed US tariffs, but David will talk a little more about the Q1 foreign exchange impact.

As highlighted at Q4, we signed an innovation agreement with Ontario Lottery, which will see Kambi become the sportsbook supplier to OLG. OLG is the former sports betting monopoly operator in Ontario, so holds a prominent position in this market. On January 1st, the Brazilian regulated sports betting market went live and we are up and running with five partners.

Four on our Turnkey was Rei do Pitaco, on our new Odds Feed+ product, which also went live with Hard Rock in Q1. We also signed an extension to our partnership with BetCity, which is one of the leading operators in the Dutch market. We consider this to be a vote of confidence in Kambi from BetCity owner Entain, which acquired BetCity two years ago.

Now, I'll hand over to you, David.

David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

Thank you, Werner and good morning, everyone. So revenue for the Q1 was EUR 41.5 million. This represents a 7% increase when excluding the transition fees that we recognized in Q1 2024. Our adjusted earnings before interest, tax and amortization and acquisitions was EUR 2.3 million. But excluding the impact of FX revaluations was EUR 3.5 million for the quarter. And our cash at the end of the quarter was EUR 56.4 million, after concluding EUR 7 million of buybacks in the quarter.

This is the index we set out for the Turnkey Sportsbook, are the key -- the major part of our revenue and it's the operating trading analysis which looks at the whole portfolio that we operate. The blue columns are an index of the turnovers, originally set at 100 and aggregates the total turnover in the network. This index went up by 4% to 737 in the quarter.

This is driven by new partner launches compared to Q1 last year. For example, Svenska Spel and LiveScore are now live which went to Q1 2024. This was, however, offset by the introduction of deposit limits in 2024 in the Netherlands market, which had a major impact on that. It was also impacted by Kindred's exit from the US and dot com markets between Q1 2024 and 2025.

The operator trading margin you see is 10.2% across the network. This was up from 9% in Q1 2024. We saw favorable soccer results during the quarter, which helped that margin. But was actually, the margin was impacted in the last couple of weeks of the quarter by some unusually player-friendly results in the March Madness basketball tournament. But still at 10.2%, this was a strong quarter for the margin.

Okay. Here we -- sorry. Here we see a chart setting out the developments of our EBITA acq from Q1 last year to Q1 this year, on the adjusted EBITA acq. Firstly, the organic growth. This as I mentioned earlier, is impact of the 2024 signings in particular, LiveScore and Svenska Spel and also includes growth offsetting other customers in our network. Therefore, it's trading margin impacts as shown in the second light blue column, and that represents that increase I mentioned from 9% to 10.2%.

The third column is the 2025 launches, which have helped our revenues this year. Firstly, Brazil, which is where we had live with four operators. We've seen a slow start, but the market is now picking up as the local football season gets underway. It also includes the revenues from Hard Rock on the Odds Feed+ product and we expect this to grow through the year as they take more sports from us.

There is a negative impact versus last year of EUR 4.4 million in terms of transaction fees. This comprises EUR 3.2 million in Q1 in relation to Penn National Gaming. This will continue to affect our comparatives until July this year. And the PROLINE gaming also had transition fees last year. And again, the absence of those fees will affect our comparatives through the whole of 2025. So that's a lower level than the Penn fees.

The operator migrations, as I mentioned, is the exit of Kindred from the dot com markets and the US. Whilst the gaming tax and other includes a number of items, which I'll run through now. Firstly, we've seen gaming tax increases versus Q1 last year in the Netherlands, in Sweden and in Illinois, amongst others. We're seeing reduced commission rates on some renewals of certain key partners in our network, renewals which we're very happy about.

We've seen during the quarter there was an introduction of a deposit tax in Colombia and we've started to share some of the increased player bonusing offered by our operators that to support them during that more difficult economic environment. And we've also, as I mentioned earlier, seen the effects of new regulations impacting deposit limits in the Netherlands, which has had a major impact on a key market, so all these items in that column entitled Gaming Tax and Other. Our costs, all-in-all are effectively flat, excluding FX revaluations. We're seeing some increases in terms of inflationary increases, for example, on some web hosting costs. And we also had some travel and advisory costs in the quarter related to securing our Nevada license in Q1 which we are delighted to obtain. These increases in costs have been offset by savings from our ongoing efficiency program, which we've discussed previously, and which should yield greater savings as the year progresses.

Lastly, there was this EUR 1.2 million FX loss on revaluation which relates to the revaluation of non-euro balance sheet items. In particular, I'd mentioned the devaluation of the US dollar in March, which impacted some of our balances of the EUR 1.2 million, EUR 0.8 million was an unrealized FX loss. All of this led to an adjusted EBITA acq of EUR 2.3 million and excluding the FX, the FX revaluation, which was the basis of our full-year guidance, our adjusted EBITA acq was EUR 3.5 million.

Now on to the cash flow during the quarter. We started the quarter with EUR 61.3 million. We did have a tax inflow in the quarter due to the timing of multi tax refund related to earlier years. We also carried out over 7 million of share buybacks in the quarter as we carry out the buyback program, which we started in November. This leaves us with a cash balance of EUR 56.4 million at the end of the quarter.

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

Werner Becher

Chief Executive Officer, Kambi Group Plc

Thanks, David. Now, let's look at some of the key operational updates. Some of these we covered in detail at the Q4 presentation so I'll try not to repeat too much here. To quickly recap on OLG, Ontario Lottery, this is a pending deal we are extremely proud of. FDJ selected Kambi to take on the contract to support sports betting to OLG, a contract which runs until 2032. We anticipate completion of the innovation terms and subsequent full contract execution in the coming months, and for the partnership to be revenue-generating towards the back end of H2.

We have teams working diligently to ensure OLG can launch with a product that matches the expectations of their customers online and across 10,000 retail stores in Ontario, which will require some development work for Kambi. The winning of this contract is another sign of Kambi's growing reputation among publicly-owned businesses.

As I mentioned, in Brazil, we are up and running with five partners and continue to see improving numbers. We are not alone in reflecting on a fairly slow start. In Brazil, however, this was largely expected as operators adapt themselves to the new regulations. It's worth noting that the regulator recently widened the scope that allowed Esports games and events which had previously been limited just to a small number.

Esports are extremely popular in Brazil, and I know our partners in the market will welcome the opportunity to offer a campus-leading Esports product powered by Abios. I've already highlighted BetCity and we are delighted to have strengthened that sportsbook partnership. Also worth reminding you, that our frontend team, Shape Games supplies BetCity with its market-leading frontend technology.

Following a very thorough process, we were delighted to have successfully concluded the licensing process for Nevada. Nevada is seen as the gold standard of sports betting regulation and therefore, the regulator holds operators and suppliers to the highest standards. We believe there are some promising opportunities in Nevada,

particularly with our retail experience and capability to deliver competitive products with highly regulated environments.

Q1 also saw our partner Paf launch with new native frontend technology supplied by a specialist Shape Games' teams. The software development kit provides operators with additional frontend functionality and enhanced user experience. In late February, as mentioned by David, Colombia introduced a new temporary duty of 19% on player deposits. We have a leading position in the Colombian market through our partners. So, of course, this is not news we were hoping for. And estimated cost between EUR 3 million and EUR 5 million.

We continue to work closely with our partners to help mitigate the impact of this tax and remain hopeful the government will remove this tax and -- at the start of next year. And we are only four weeks into Q2. The two items we highlight here are firstly the launch of BetPlay in Paraguay. Why its acquisition of a local brand. This brand and existing customer base have now been migrated to the cannabis sportsbook. Also last week, we supported Paf with the launch of its New Sweden-facing brand 1X2.

Q1 also saw us go live with our new Odds Feed+ product. Having signed contract in Q4, we were delighted to see both Hard Rock and Rei do Pitaco go live in Q1 with our feed. FDJ has also signed an Odds Feed+ plus deal in Q1, which will see it receive Esports Odds via Abios and we hope to expand out into other sports in the next few months. I've spoken here about the great benefits of Odds Feed+ before with the key USP being our EUR 17 billion liquidity they also traded on, delivering precision pricing right through to sports betting menu.

And as I said in Q1 and Q2 and Q3 and Q4, Odds Feed+ will become the go-to Odds Feed on the market. And I'm confident we'll be adding more partners over the course of the year. It's been clear in the past, Kambi has been too dependent on a small number of large partners, which has made life difficult for us when some have decided to leave. On this slide, I wanted to show you how Kambi has been diversifying its revenue base to become -- sorry to become the number one in the market, but also becoming less reliant on a small number of large customers.

Since 2021, revenue concentration within the top three operators has dropped from 60% to 39% in 2024, and we expect it to reduce further in 2025. Some of this impact has, of course, been the departure of some partners. But as you can also see here, our net sportsbook partner number has been on the rise year-on-year.

At the same time, we've continued to grow our regulated business and are now almost exclusively regulated, something which gives us an edge when pitching for certain operators. So taken together, we are building a much more stable platform for long-term growth with a business that has a greater ability to manage churn and with a highly sustainable, regulated revenue base.

In summary, Q1 delivered the financial performance in line with our expectations. While we expect performance to improve as headwinds ease and tailwinds grow during the second half of the year, my aspirations are much higher and we are working hard to accelerate growth. Having covered much of the news in Q4, it's perhaps easy to overlook how much we have achieved in Q1.

Launching five partners in Brazil and signing innovation terms with OLG were most prominent. But we also launched our Odds Feed+ product with Hard Rock and Rei do Pitaco and extended our partnership with BetCity, amongst others. And finally, I feel very confident about the future of Kambi. The business transformation we're undertaking and the product expansion we are delivering are helping us to build a strong foundation for growth.

QUESTION AND ANSWER SECTION

Mattias Eric Frithiof

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

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So first question, can you elaborate more on the relationship with the FDJ and Kindred? Abios signed an Odds Feed+ deal, does that this means FDJ is ready to use the rest of your Odds Feed offering as well? If so, when do you think a deal could be announced?

Werner Becher

Chief Executive Officer, Kambi Group Plc

A

Yeah. So FDJ has already integrated our Odds Feed+ interface. This means from a technical perspective, Kindred and therefore now FDJ is already fully integrated into our Odds Feed. FDJ she has agreed to take for now our Esports Odds and all the other services from Abios like widgets and streams. But we're in ongoing discussions with FDJ to take more sports from us in the future.

Mattias Eric Frithiof

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

A

Thank you. Revenues from models are down 6% of total. What behind – what's behind the reduction from around 10% last year?

David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

A

That has -- I'd say there has been a bit of customer churn on some of those model products. I think we can't hide away from that. But, you know, I think we're also putting -- we know we're putting in place really strong foundations to build those revenues back up on the module. So I think we're very confident about them. But yeah, has -- there has been a couple of customer losses, particularly on the shape side it happened.

Mattias Eric Frithiof

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

A

Thanks. It seems that you had a weaker quarter in Europe compared to Q4. What is behind that?

David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

A

That well, I mean, certainly the problem -- the issues in the Dutch market will impact that. Also, I mean, you mentioned both gaming tax increases versus Q1 last year in both Sweden and Netherlands, but also the impacts of these deposit limits in the Netherlands is really harming that the revenues for us in that market. So, you know, that's unfortunately been a bit of a shift. So we have to call it out.

Mattias Eric Frithiof

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

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Yeah. Thanks. Next question. Can you give an indication of the revenue coming from Brazil in the first quarter and how you expect this to evolve?

David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

A

Yeah, I think on the – on the charts I showed that was -- I showed a 2025 launches and that was predominantly from Brazil, I think it was EUR 0.9 million of which, you know, the vast majority of that was from the Brazil market. It's a number we do expect to grow, both as our operators kind of get into gear with their marketing and also the local leagues, you know the local football leagues just started at the end of the quarter. So, I mean, we're very confident that number will grow. But it is – it was within that EUR 0.9 million in that first quarter.

Mattias Eric Frithiof

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

A

Yeah, great. Can you discuss the full year guidance in light of the Q1 results delivery? How confident can you be when it comes to potential improvements in the second half of the year?

David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

A

Do you want to take that?

Werner Becher

Chief Executive Officer, Kambi Group Plc

A

Go ahead, please.

David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

A

Yeah. I mean, I think there's a few things here which are going to grow during the year. Firstly, Brazil, like we just talked about, I mean that clearly is at the start of a journey. We do and definitely anticipate growth there. The Hard Rock deal, I also mentioned earlier, that, again, is at the very start of the journey. They just started with the first one or two sports. And, if that product proves itself, we definitely see the revenues growing with that operator as they take on more sports.

We've obviously mentioned OLG, and you know, there at the moment, we're not recognizing any revenues. So any revenues we start recognizing in the second half, we'll add to where we are today. That's going to be an increase. Then, of course, I must mention, seasonality. I mean it's -- we always mentioned it, but Q4 should be a very strong quarter in terms of, you know at that point all the leagues are -- key leagues are underway.

And then the last point to make cost savings, you know, yes, we have an ongoing cost saving program. We're just starting to see the benefits of it. But, you know, as those savings continue to be realized, that number should keep growing through the year. So, you know, start adding all those things together that's how you get from EUR 3.5 million towards somewhere on the full year of EUR 20 million to EUR 25 million.

Mattias Eric Frithiof

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

A

Yeah. And can we say anything about how Q2 has started in terms of revenue?

Werner Becher

Chief Executive Officer, Kambi Group Plc

A

Yeah. Yeah. I would say, it started when it comes to turnover as expected, margin is slightly higher than our guidance at the moment. But, you know, sports results are always volatile. So, this is too early in the quarter to give an indication about whole -- the whole month will run. But so far, the months have started well. We have the Brazilian leagues now up and running, which is very important for the Brazilian market and we have Champions League final phase, where there's also a lot of bet activity. We have the European tennis tournaments.

So it's an interesting part of the year, before we'll go this year in a little bit more quiet summer compared to last year, there's no Euros, there's no Copa Americas, there is no Olympia this year. But at the moment, it's a very busy sports season.

Mattias Eric Frithiof

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

A

Yeah. So talking a bit more about Brazil. Can you comment on the general market sentiment in Brazil following the new regulation and limited licenses? How do you see this to evolve over time?

Werner Becher

Chief Executive Officer, Kambi Group Plc

A

Yeah, I don't think we are very surprised about what we see in Brazil. Probably it was a little bit slower start than expected, not only for us, but for everyone. The KYC process in Brazil is very extensive and difficult for sport fans in Brazil to register for an operator. But I think we are over this hurdle now with the leagues now running, business is developing very well.

I think it's also worth to mention that some of our operators, to name BetMGM as an example, they only started two weeks ago with very active marketing with their partner Globo in Brazil. So that's why also on our revenue side, the first quarter was a little bit softer than expected, but we see promising numbers now not only from Brazil.

Mattias Eric Frithiof

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

A

Yeah. And okay, a question on the prediction markets. In the case prediction markets for non-regulated states in the US become standard. How fast and at what cost would Kambi be able to offer and support operators wanting to enter prediction markets?

Werner Becher

Chief Executive Officer, Kambi Group Plc

A

Yeah. So I think first it's worth to mention that prediction markets are -- they offer a very different product to what punters are used to. It's something like a yes-no contract they offer, very, very limited offering. They need a lot of liquidity because it's more or less an exchange and it's not a sportsbook.

So, of course, we are in discussion with many US operators about also to help them and to supply them with a product about prediction markets. But similar to their position in the market, being licensed in so many states in the US, we as Kambi have to be very, very careful about tapping into unregulated markets in the US, because this would risk also our license in the US. So we are in close discussion with many operators and we would be able to supply a product, but this product would need licensing, testing, approval from authorities and will take some time.

Mattias Eric Frithiof

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

A

Thanks. And a favorite question on the pipeline. Could you please add some color on what is going on? It feels like some of the signings was more of a spillover from 2024. What type of opportunities are you most excited about ahead?

Werner Becher*Chief Executive Officer, Kambi Group Plc*

A

Yeah, so we have – I would say, we had a very, very busy Q1 and also now the sales team is very engaged, because there are several public tenders out there from state-owned or a prior state-owned lotteries around the globe. So it's a very intense period for the sales team and we were very focused internally also on going to the market with our Odds Feed+ product. We are mainly addressing as it's a premium product, Tier 0, Tier 1 operators, which means it takes some times to build relationships.

Most of the customers we are talking to about our Odds Feed+ product have not been customers of any B2B supplier in the Turnkey space before. So we have no relationship with them. These are big Tier 1, Tier 0 operators, mainly with in-house sportsbooks. And they are not known to be extremely fast in negotiating terms and signing contracts, why it takes a while, but we are very confident that in the next few months, we will deliver on signing Odds Feed+ deals, and again, there are also some promising public tenders, especially in the lottery space out there at the moment.

Mattias Eric Frithiof*Senior Vice President-Investor Relations & Sustainability, Kambi Group Plc*

A

Thanks. And, next on the efficiency. Will we see more effects of your efficiency program in the second half of the year compared with the first half?

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

A

Yeah, I would say so. And I mean, broadly because you get a cumulative effect on the P&L. It's something we continue to look at. We may made a kind of a big first push on this in Q4, which you start to see that effective in Q1. But it's an ongoing program, so we'll keep working on that so you get greater impact on the P&L.

Werner Becher*Chief Executive Officer, Kambi Group Plc*

A

Yeah, probably also worth to mention that OLG is not only a very important project for Kambi, but also a big internal project at the moment. More than 100 colleagues of us at Kambi are working on OLG at the moment, pools betting product, retail integration into their lottery app. So there is a lot of work to be done to complete the novation agreement and to launch with Ontario Lottery. So this was a big focus at the moment internally with our engineering and trading team to get up and running with Ontario.

Mattias Eric Frithiof*Senior Vice President-Investor Relations & Sustainability, Kambi Group Plc*

A

Thanks. And coming back to the guidance again. Given the below run rate compared with the guidance for the full year, while latter should have some more headwinds from Kindred. Can you please elaborate on your confidence in the 2025 guidance as you have seen the Q1 numbers?

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

A

I mean, like I said earlier, is that -- what we saw in Q1 is broadly on track with what we expected with the shape of the year and how we expected it to develop. And we -- I think we have said at the last quarterly report that we did expect it to be backloaded. There was a question around that.

I think the one -- the one big uncertainty here is the -- is FX. Obviously, we set a guidance and right now, we think we can get there without absorbing the impact of FX. But, you know, it's a very volatile situation with FX. And if, in fact, that we're going to obviously have to keep revisiting that during the year. But that's aside, I think -- I think like for the factors I mentioned earlier, we still stand here today, believe we can get those -- those numbers.

Werner Becher

Chief Executive Officer, Kambi Group Plc

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For sure we'll inform the market immediately if we don't think we can be confident anymore.

Mattias Eric Frithiof

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

A

Yes. A question on the cash generation then. You have a good underlying cash generation and a very strong cash position relative to your market cap. Can you comment on your capital allocation strategy going forward? And are considered -- are you considering new buybacks?

David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

A

I'll take the first one -- the second one first. We have an AGM coming up. And there is a request for shareholder approval from a new mandate, for a 10% buyback mandate for the coming year. So, yes, if that's approved and then there's a Board decision then yeah as per that policy, we would, I think keep looking to do more buybacks going into next year, next -- between AGMs.

Yeah and cash generation is strong. We've -- worked out some numbers to work out how much cash we need to stay resilient as a company to have on the balance sheets at any given time as that I've mentioned before, it's around EUR 40 million at the current level of business, which we still believe in that, that will see us through kind of the swings of Sportsbook margin and also shows our customers that we've got a very strong balance sheet. So we're for the long haul.

Mattias Eric Frithiof

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

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Continuing on the cash topic. Could you please elaborate a bit on the cash savings relative to the operational cost savings in the year to come?

David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

A

I mean the cash savings are significantly higher, because where you make savings on cost that are capitalized, the cash saving versus the P&L saving is significantly higher. So, yeah, that we can spend more on that through the year when we know what those numbers look like, but for sure, the cash part is significantly higher from than the P&L.

Mattias Eric Frithiof

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

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Yes. One of your peers reported a strong April trading driven by stronger betting margin versus historical average. You should also have experienced this in the start of Q2?

Werner Becher*Chief Executive Officer, Kambi Group Plc*

A

Yes. Yeah. As mentioned, margin also now for the first two weeks in April is higher than what we have given as the guidance. But again, this is only a few weeks in this quarter now. We shouldn't be too optimistic that the margin will stay on this level, that's simply sports, right will go up and will go down. But yes, the start was very promising when it comes to the margin.

Mattias Eric Frithiof*Senior Vice President-Investor Relations & Sustainability, Kambi Group Plc*

A

Yes. Given that you won OLG, do you find yourself in a better position to win monopoly or lottery contracts? Yeah, there are -- as you were saying, there are a few out there. So, are these realistic for you to win now?

Werner Becher*Chief Executive Officer, Kambi Group Plc*

A

Yeah, I think so. I think will we win all tenders in future, probably not. Unfortunately not. But having now with ATG, Svenska Spel, the Belgian National Lottery and now also Ontario Lottery, the biggest lottery in North America for, I would say, [indiscernible] (00:29:16) clients, partners on the Kambi platform.

We are very well positioned also for more lottery, but also state-owned other types of businesses in our industry. And as mentioned, there are some recruitment processes running at the moment. We are part of these processes, and unfortunately we can only inform the market after we see some wet ink on contracts.

Mattias Eric Frithiof*Senior Vice President-Investor Relations & Sustainability, Kambi Group Plc*

A

Yeah. And then someone has listened to the podcast from the last quarter. So a follow-up on that. You guys commented on DraftKings and Bet365 as potential model clients. Is this still something you are hopeful for?

Werner Becher*Chief Executive Officer, Kambi Group Plc*

A

Yeah. I think every Tier 1, Tier 0 operator is a potential client. Why? Simply, because the mainstream Odds Feeds available today, they are not traded. They are static broadcasts mainly built on static algorithms and in-play data.

Our odds are fully traded on our \$17 billion liquidity, which means the quality of the odds we deliver to a – customers when it comes to uptime, suspension times, the machine, et cetera our product is simply on a completely different level and will deliver better user experience, more opportunities to place bets, a higher margin for operators. I think the market starts to understand this took some time to educate the market to show them hard facts numbers. But yes, I think we are very interesting with this product for each and any big operator on the market.

Mattias Eric Frithiof*Senior Vice President-Investor Relations & Sustainability, Kambi Group Plc*

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And then the question, I'm not sure if we can or want to answer, but I'll give it a shot and then we'll see. You mentioned state-owned procurement currently ongoing. Could you elaborate a bit on which regions or countries or potential clients that are? Or is that something we don't want to comment on at this stage?

Werner Becher*Chief Executive Officer, Kambi Group Plc*

A

I would say there are not a lot of opportunities – lot and lot of -- not a lot of opportunities in Antarctica at the moment. But other than that, it's North America. It's Europe and Asia mainly where we have interesting opportunities where our sales team is working very hard on.

Mattias Eric Frithiof*Senior Vice President-Investor Relations & Sustainability, Kambi Group Plc*

A

Thanks. On the cost reductions again then. You've been talking about reducing the number of traders over time. Will there be any significant FTE reductions outside of this group of employees?

Werner Becher*Chief Executive Officer, Kambi Group Plc*

A

I think we talked a little bit about in Q4 already that we started to manage our 65 headcounts already. And we are in a continuous process to analyze and see if there are more cost efficiencies we can execute in the company. On the trader side, for sure, AI will impact a lot how pricing and trading is done in our industry.

I think many of the B2C operators completely miss the bus and we also don't see a lot of B2B or suppliers working with a full AI-first focus on AI. We are doing that for three years now already. We are seeing the benefits rolling out, our Tzeract products right now. And this, of course, will change a lot how Kambi will look like in a few years from now.

There will be still a lot of supervisors and trading helping us to finetune the system, to supervise the system. But the time, I think for a lot of manual trading like we see still today is a little bit old fashioned and will not be possible anymore. Everything is getting faster. Everything needs to be more accurate and AI is the only way we can achieve this.

Mattias Eric Frithiof*Senior Vice President-Investor Relations & Sustainability, Kambi Group Plc*

A

Thank you. And then continuing on the cost topic. How do you – how should we think about the OpEx heading into 2026? Will it fall more year-over-year in absolute terms than it did in 2025?

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

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Slightly tough one to say standing here right now. It really depends on how much -- how fast the AI develops that will certainly impact that number in 2026 and also you know what contracts we win between now and then that may impact our cost base that we need to service. So a little bit hard to say, but I mean, in general, you've seen the trend of costs slowing down. And I mean, that's the general trend you'll see. But of course, we'll update when that picture changes.

Mattias Eric Frithiof*Senior Vice President-Investor Relations & Sustainability, Kambi Group Plc*

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Yeah. And then the more of a detailed question on the margin. Could you please give some color on what Sportsbook margin you assume in the 2025 guidance?

David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

A

Yes, I mean, as we gave that range of 9.5% to 11% and the guidance is effectively set on the – around the middle of that range. So 10.25%.

Mattias Eric Frithiof

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

A

And then the last question. Excluding any FX impact, do you think it would be possible to deliver Q2 profit flat year-over-year?

David Richard Kenyon

Chief Financial Officer, Kambi Group Plc

A

I think we're in the world of forecasting quarters ahead and we've moved away from that. So I'm not going to go there right now.

Mattias Eric Frithiof

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

A

Yeah. Okay, thanks. Then there are no more questions in the chat. So we will conclude this presentation. Thank you everyone for listening in and thank you for presenting. And we look forward to seeing you soon again. We'll have the presentation of the Q2 report on the 23 of July. Thank you.

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