

Kambi Group plc

Q4 Report 2019

Financial summary

- Revenue amounted to €26.7 (21.7) million for the fourth quarter of 2019, and €92.3 (76.2) million for the period January to December 2019
- Operating profit (EBIT) for the fourth quarter of 2019 was €6.2 (4.2) million, with a margin of 23.1% (19.2%), and €14.7 (12.7) million for the period January to December 2019, with a margin of 16.0% (16.7%)
- Profit after Tax, including €0.5 million of impairment charges, amounted to €4.6 (3.3) million for the fourth quarter of 2019, and €10.4 (9.8) million for the period January to December 2019
- Earnings per share for the fourth quarter of 2019 were €0.152 (0.110), and €0.345 (0.326) for the period January to December 2019
- Cash flow from operating and investing activities (excluding working capital) amounted to €4.4 (2.8) million for the fourth quarter of 2019, and €8.6 (8.6) million for the period January to December 2019
- The AGM will be held on 13 May 2020 at Kambi's Stockholm office. The board has decided to propose that no dividend is paid out (2018: no dividend)

Fourth quarter financial breakdown

€m	Q4 2019	Q4 2018	Change %	Jan - Dec 2019	Jan - Dec 2018	Change %
Revenue	26.7	21.7	23.1%	92.3	76.2	21.1%
Operating result ¹	6.2	4.2	48.0%	14.7	12.7	15.9%
Operating margin	23.1%	19.2%		16.0%	16.7%	
Result after tax ²	4.6	3.3	38.5%	10.4	9.8	6.4%
Cash flow ³	4.4	2.8		8.6	8.6	
Net cash	37.7	31.1		37.7	31.1	
Earnings per share	€0.152	€0.110	38.2%	€0.345	€0.326	5.8%

¹ Operating result before items affecting comparability (impairment charges of €0.5m)

² Result after tax includes items affecting comparability (impairment charges of €0.5m)

³ Cash flow from operating and investing activities excluding movements in working capital

Key highlights

- Strong financial performance with 23% year-on-year rise in Q4 revenue and 52% year-on-year increase in Q4 operator turnover, driven by further expansion into new US states and new customer launches
- The quarterly performance contributed to full year 2019 revenue growth of 21% and an operator turnover increase of 37% compared to 2018
- Signed Seneca Gaming Corporation in November and launched in all three of Seneca's New York casinos in December
- Launched with DraftKings and New Hampshire Lottery when going live online in New Hampshire in late December
- A record 11 Kambi partners named in the prestigious EGR Power 50 ranking, which lists the industry's most powerful operators

CEO comment



"I'm delighted to report another strong quarter for Kambi, which rounds off a year in which annual revenues grew by more than 20% and operator turnover by more than a third. Looking back on 2019, it was another great year for Kambi, as we continued to build out a fantastic sports betting product, expanded into multiple new markets, and signed six new partners, all of which leaves us in a great place for 2020.

In the previous report, I highlighted the momentum we could see building in operator turnover, and this trend continued in Q4 with each month delivering a greater number than the last. In total, Q4 operator turnover increased by 52% year-on-year and 36% sequentially – considerably higher volumes than Kambi has ever seen. While much of this growth was derived from our US partners, we also saw double-digit turnover growth in markets outside of the US, all of which contributed to strong revenue growth of 23%.

While the year was pleasing for many reasons, 2019 ended with news our partner DraftKings had entered into an agreement to acquire its own sports betting technology and therefore will no longer be dependent on Kambi. Our revenues from DraftKings are likely to be unaffected throughout 2020. I remain of the view that DraftKings' long-term prospects would be better served with Kambi but also that this will increase the appeal of Kambi to an even greater level. We remain firmly committed to the US, where we have a diverse network of partners which have fantastic potential for growth, particularly as more states regulate.

We continue to prove that we are the sports betting partner operators can trust to deliver. In Q4, we launched in seven casinos and a variety of online sportsbooks across multiple jurisdictions. I'm particularly proud we were able to launch with our first US lottery, when going live in New Hampshire with DraftKings in December. I was also pleased to make our retail debut in South Africa when we launched the Kambi Sportsbook inside the Sun International-owned Grand West Casino in Cape Town.

I've spoken previously about the strengths of Kambi's retail product and our ability to roll out at speed. These assets were both on display during Q4 when we successfully signed a new customer in Seneca Gaming Corporation and subsequently launched in its three New York casino properties within a matter of weeks. Seneca is a great customer signing for us. Not only is it an organisation which shares our values of trust and collaboration, but the fact it is owned by one of the most respected US Native American tribes ensures it is a partnership that will resonate within the tribal community nationwide.

The evolving nature of the sports betting industry means there will always be challenges to overcome but I know we have built a robust business with the capability and strength to withstand these pressures. We operate in a fast-growing market, one which continues to embrace regulation and will therefore present Kambi and our partners with exciting opportunities for many years to come. Be in no doubt Kambi is well positioned both in the US and globally and I look forward to a prosperous 2020."

Looking back on a successful 2019

The year 2019 was undoubtedly one of great success for Kambi. From a pure financial perspective, operator turnover increased by 37% while Kambi revenues grew by 21%. Double digit operating profit growth further strengthened what was already a strong balance sheet amid continued investment, particularly in the US opportunity.

The year underlined Kambi's ability to ensure partners are quick out of the gate in regulated US states with many securing market firsts, such as Rush Street Interactive taking the first legal online bets in Pennsylvania and the first legal bet in New York. Kambi partners also launched on day one in Iowa while Kambi and DraftKings launched ahead of schedule with the New Hampshire Lottery. Kambi also proved its retail credentials with more than 2,000 shop launches with ATG in Sweden and 19 brick and mortar casino launches in the US.

During the year, Kambi signed six new partners, four of which are focused on US markets: Mohegan Gaming & Entertainment, Penn National Gaming, JACK Entertainment and Seneca Gaming Corp. Both Mohegan and JACK have the potential to be market leaders in their respective states of Connecticut and Ohio, states we anticipate passing sports betting bills in 2020. Seneca is one of the most respected tribes in the US and has a strong position in New York with three casinos already live with a Kambi Sportsbook.

Meanwhile, Penn National Gaming has access to more states than any other US operator. The company has put sports betting at the heart of its growth strategy, underlined by its recent investment in media company Barstool Sports, the brand Penn will leverage for its on-property and mobile sports betting product. Penn has a well-considered strategy, a strong management team, a track record of success and the financial resource to achieve its target of becoming a top three player in every state in which it operates. Kambi is excited by what the partnership will deliver over the next few years.

Q4 Highlights

Trading update

Kambi Q4 revenues were €26.7m, up 23% year-on-year, buoyed by a 52% rise in operator turnover and an operator trading margin of 7.4%. This growth followed historical trends with the Q4 sporting calendar the busiest of the year. However, the increases in revenues and operator turnover were boosted by a significant contribution from Kambi's operation in the Americas and the European market also increasing, combining to ensure Q4 was a record quarter for Kambi.

Commercial agreements

In November, Kambi signed a long-term agreement with Seneca Gaming Corporation (SGC), a wholly owned, tribally chartered corporation of the Seneca Nation of Indians. SGC operates three casinos in New York State: Seneca Niagara Resort & Casino in Niagara Falls, Seneca Allegany Resort & Casino in Salamanca and Seneca Buffalo Creek Casino in Buffalo. Kambi launched its Sportsbook in all three properties in December. Online sports betting has yet to be permitted in the state and the agreement leaves Kambi well positioned in the market as and when the state decides to do so. In addition, Seneca marks Kambi's second major tribal gaming signing, following last year's partnership with Mohegan Gaming & Entertainment. Native American tribes own and operate a large proportion of America's casino properties, therefore signing two of the largest tribes in the country has raised Kambi's profile within this important community.

Partner launches

Kambi continued to support its partner network with a range of online and retail launches during the fourth quarter. In the US, Kambi assisted partners with online launches in the states of Indiana, Pennsylvania and New Hampshire. As a result, the Kambi Sportsbook was active online in five US states, more than any other B2B sportsbook provider, a feat which reflects the flexibility and scalability of the Kambi Sportsbook. Meanwhile, Kambi also delivered on-property launches in Pennsylvania, Iowa and New York. In New York, Kambi supported SGC with three separate casino launches in the space of two weeks, once again proving our ability to deliver at speed across all channels. Elsewhere, Kambi delivered an on-property sportsbook in South Africa for the first time, with partner Sun International at its Grand West Casino in Cape Town.

Partner update

On 23 December, Kambi partner DraftKings announced it was to acquire gaming technology supplier SBTech in a deal which is expected to complete in H1 2020.

In the meantime, the partnership will continue to be a great success for both parties. Since becoming the first operator to take a legal online sports bet post-PASPA, DraftKings has benefitted from Kambi's high-quality, scalable product, coupled with outstanding regulatory support, enabling it to launch ahead of the competition and take large market shares in more US states than any other operator. Meanwhile, Kambi has taken its opportunity to prove itself to be the industry's trusted sports betting partner, delivering market entry at unrivalled speed and a product which has proven immensely popular with US bettors.

During Q4, Kambi was active in seven states, of which five state regulators detail the financial performance of each licensed operator. In these five states, Kambi-powered partners generated \$54.4m (€50m) of officially reported gross gaming revenue (GGR) in Q4, of which DraftKings was responsible for 37% (December: 46%). To note, New Jersey, where DraftKings has seen great success, does not break out GGR figures per operator, while New Hampshire has yet to officially report on its two days of operation in Q4. Therefore, these states are not included in this calculation. Likewise, New York only reports the performance of its commercial casinos, not its local tribal casinos, of which Seneca Gaming Corp. is one. As a result, the revenues for Seneca have also been omitted from this calculation. When taking an approximation for New Jersey into account, DraftKings' contribution to Kambi's US network GGR is between 50-60% in Q4. It is important to note that the officially reported GGR may differ between states and from Kambi's definition of GGR.

Kambi remains in a strong position in the US, and indeed across the rest of the world. Our focus, as always, remains on our network of diverse and excellent partners, with whom we see great opportunities for growth during the current year and beyond. As ever, we will also be carefully monitoring new opportunities and believe our position as a leading independent company, one with an enviable track record of delivery, probity and quality, will ensure we continue to be the industry's number one choice.

Partner with confidence

Kambi believes the acquisition of a competitor by a major operator will only strengthen the appeal of Kambi among other operators. As one of the few pure B2B sports betting providers, we believe there are two key factors which make independence from an operator key to becoming a successful supplier. Firstly, independence provides greater agility to make the decisions needed to react rapidly to evolving landscapes. For example, Kambi's fast response to the opening of the US market and the rapid development of its US product and retail channel was due to it having full ownership of its roadmap and decision-making process. Due to natural competing interests, striking the optimal strategic balance between operating B2B and B2C can be difficult to achieve.

Secondly, the relationship between a supplier and operator is built on trust. Suppliers have access to a large amount of sensitive and valuable data, data which operators should be less willing to share with a supplier owned by a competing operator. To illustrate this point, only when Kambi was spun-off from Unibet in 2014 was it able to gain the complete trust of operators, a move which has since enabled Kambi to build a vast network of partners.

Number one choice of market leaders

In December, EGR Intel published its annual Power 50 table – a ranking of the biggest and most influential online gaming operators. A record 11 Kambi partners made the list, more than any other end-to-end sports betting supplier. This compares favourably to nine Kambi partners in 2018. This achievement illustrates Kambi's ability to attract the highest calibre of partner and provide a sportsbook which generates strong growth.

Events after Q4

Partner launches have continued in Q1 2020 with Kambi making its on-property debut in West Virginia and Mississippi, both with Penn National Gaming. In January, it installed its Sportsbook, along with 30 self-service betting terminals, into the Charles Town Hollywood Casino in West Virginia. Meanwhile, earlier this month in Mississippi, Kambi launched inside the Ameristar Casino Vicksburg, with four more Penn National Gaming properties in Mississippi to come later this quarter. Kambi also launched another operator in the UK, where Kambi supported Casumo by adding its Sportsbook to the operator's popular casino product.

Kambi's contract with the Spanish operator R Franco expired in February 2020; as neither party was satisfied with the financial performance, the partnership came to a natural conclusion. The financial impact to Kambi is not material.

Regulatory update

United States

The state-by-state regulation of sports betting in the US continued in Q4 with several states either passing bills to regulate or making progress towards regulation.

Michigan became the 20th state to legalise sports betting when the state legislature passed a bill to regulate the activity in both online and retail environments. The tax rate has been set at 8.4% of revenue. The **Illinois** Gaming Board has published technical regulations and operating requirements ahead of the launch of regulated sports betting in the state. The publication of the rules effectively kick-starts the licensing phase with operators able to begin operations upon receiving a temporary permit.

A new draft bill in **Connecticut** has been published which seeks to grant exclusive rights to the state's two tribes to offer online and retail sports betting. Last year, Kambi partnered with Mohegan Gaming and Entertainment, which operates the tribal-owned Mohegan Sun resort in Connecticut. In November, the residents of **Colorado** voted to legalise online and retail sports betting in the state. Operators will be taxed at 10% of net revenue and regulators are now in the process of developing the rules and regulations, with May 2020 a target go-live date.

The **Tennessee** Lottery released its draft sports gambling rules and regulations in November with an opportunity for stakeholders and the public to comment. Tennessee regulators have proposed a 20% tax on revenue. The Tennessee Education Lottery has stated its intention to vote on the reviewed set of regulations at its next board meeting in February.

In **California**, the state's Native Indian tribes have proposed a state-wide referendum in November 2020 to legalise sports betting at casinos and racetracks. The proposal includes a provision for a 10% tax on revenue. Lawmakers in **Ohio** are confident they will be able to reach agreement on the regulation of sports betting in the state by the end of Spring 2020. At present, two bills are under consideration with the key discussion point being the body responsible for the regulation and licensing.

A bill which would legalise sports betting online and on-property was unanimously passed by the relevant government committee in **Kentucky**. It is expected that the bill will be put to a vote by the House of Representatives before the end of the 2020 legislative session on 16 April.

As a new fixture of this report, Kambi will detail the US states in which it is live and generating revenue. See below for the latest table of live states:

State	Population (m)	Online skins	Retail properties	Kambi-powered operators
Indiana	19.4	2	3	RSI*, DraftKings
Iowa	12.8	n/a	4	Penn**, DraftKings
Mississippi	3.0	n/a	1	Penn
New Hampshire	1.4	1	n/a	DraftKings
New Jersey	8.9	4	1	RSI, Kindred, DraftKings, 888
New York	19.4	n/a	5	RSI, Seneca, DraftKings
Pennsylvania	12.8	5	8	RSI, Parx, Kindred, DraftKings
West Virginia	1.8	1	1	Penn, DraftKings

* RSI = Rush Street Interactive

** Penn = Penn National Gaming

Europe

Germany's 16 federal states have reached a consensus on a new gambling treaty which will regulate casino and poker across the country. Sports betting is already permitted in Germany meaning licensed operators will have the ability to offer the three product verticals. The new treaty will come into force in July 2021 and is expected to be accompanied by a new tax regime, details of which have yet to be published. Sports betting in Germany is currently subjected to a 5% on stakes, levied at bet placement.

In **Denmark**, the government recently announced plans to raise online gambling taxes from the current rate of 20% to 28%. The new level of tax will be introduced in January 2021.

Kambi initiatives

American football product improvements review

In the Q2 2019 report, Kambi set out improvements it had made and was in the process of making to its American football product ahead of the start of the American football season in September. With the season now over, it is clear the value Kambi and its partners realised from their ability to offer players an improved and market-leading product.

One of the major enhancements came from the iteration of the Kambi trading model where refinement of the model and fine-tuning of algorithms used to automatically create odds delivered greater availability during live action. For example, following the improvements, the availability of the main match markets during live games went from approximately 60% to 90%, thus giving players a much greater opportunity to place bets in-play.

Similarly, improvements to the trading model enabled us to reduce our in-play delay by more than half, which substantially increased the ability for players to bet during the action. Our market research shows Kambi's main US competitors have significantly longer in-play delays, typically around 8-10 seconds which, if employed by Kambi, would result in approximately one-third of bets being rejected due to the frequency with which odds are updated in-play.

Another area of notable improvement was the increased availability of the cash out functionality, which enables players to take a real-time cash valuation for their bet before the final result is known. Our work in extending the availability of cash out to a wider selection of bet offers resulted in a c.300% increase in the use of cash out throughout the season.

Kambi's improved American football product, coupled with our scalable technology which has enabled multiple US state launches, resulted a significant increase in American football revenue. For example, in Q4 the NFL surpassed English football competitions as the largest gross revenue driver across the network. As always, Kambi continues to improve its American football service and is confident of providing an even higher quality of product in time for the next season.

Financial review

Revenue

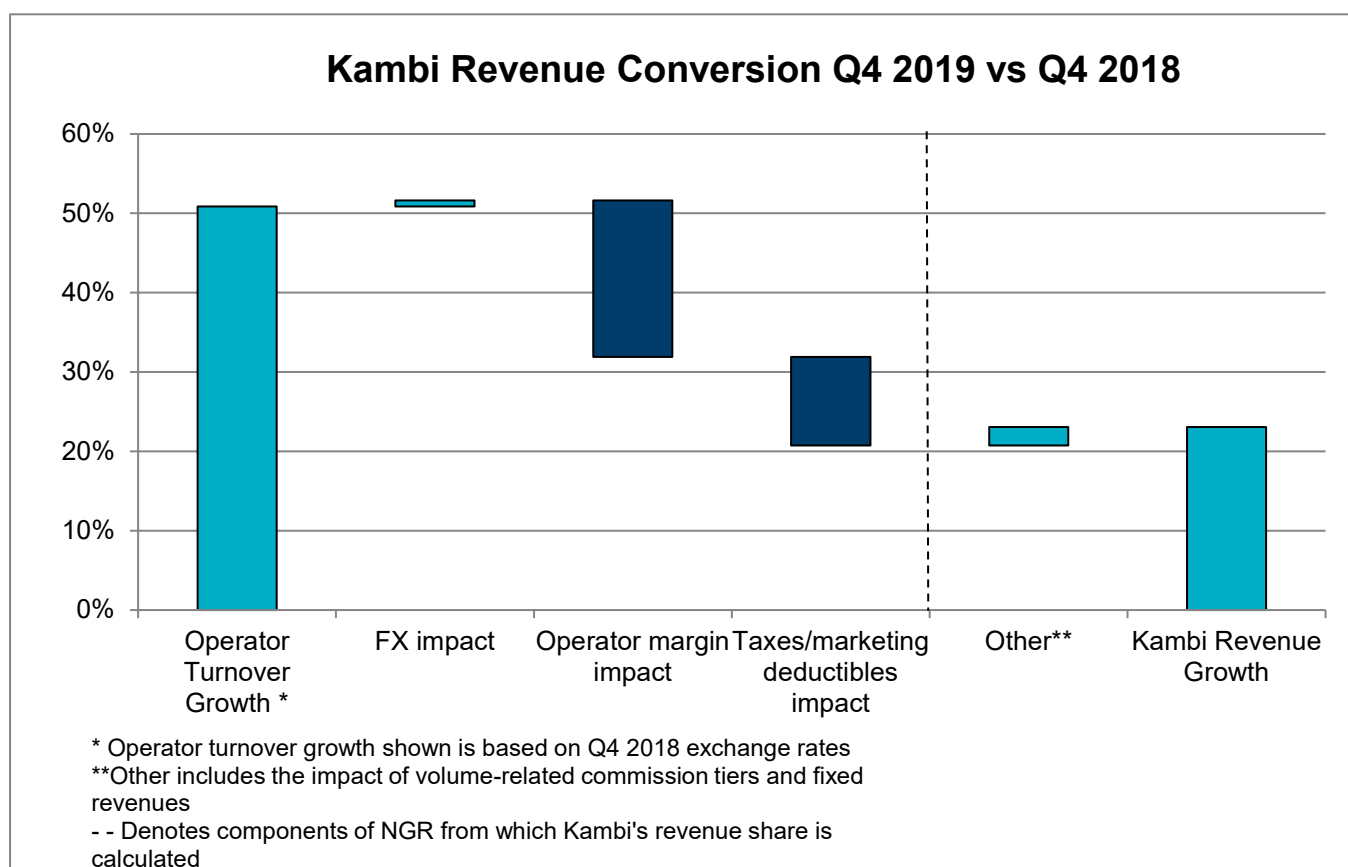
Revenue represents fees received for sports betting services rendered to Kambi’s operators. In the fourth quarter of 2019, revenue was €26.7 (21.7) million. Revenue derived from locally regulated markets in Q4 was 78% (56%). Revenue for the full year 2019 was €92.3 (76.2) million.

The operator turnover growth in Q4 2019 was 52% and the operator trading margin was 7.4% (8.5%). The operator trading margin for the full year 2019 was 8.0% (8.2%).

Kambi charges its operators a fee based on a number of variables including fixed fees, the number of live events offered and commission based on a revenue share of operators’ Gross Gaming Revenue less deductible costs, such as free bets and tax (i.e. Net Gaming Revenue, NGR, as shown in the graph below). The impact from tax and marketing deductibles has increased due to a higher level of revenue derived from regulated markets, including Sweden and the US, in particular Pennsylvania, resulting in a greater impact from gaming tax. Other shows a small increase in Q4 due to a greater impact on revenues from live events and fixed revenues, in line with the growth of our customer portfolio.

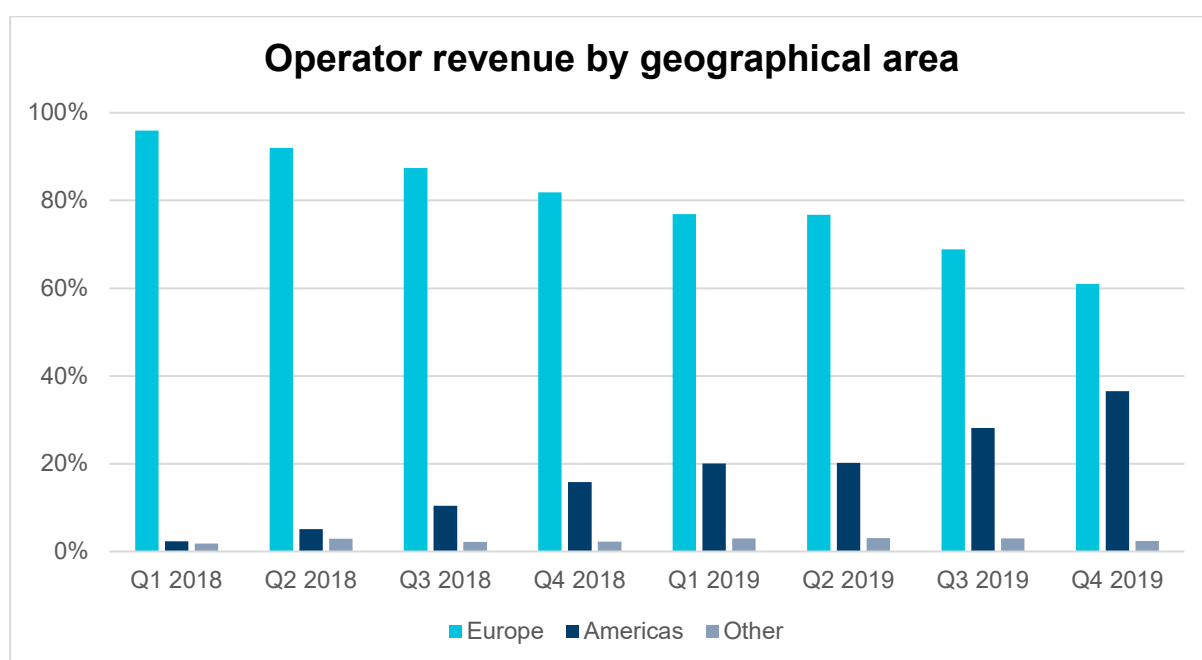
The net effect of the above factors was a €5.0 million increase in quarterly revenue year-on-year.

The graph below demonstrates how the growth in operator turnover ultimately results in Kambi’s revenue growth:



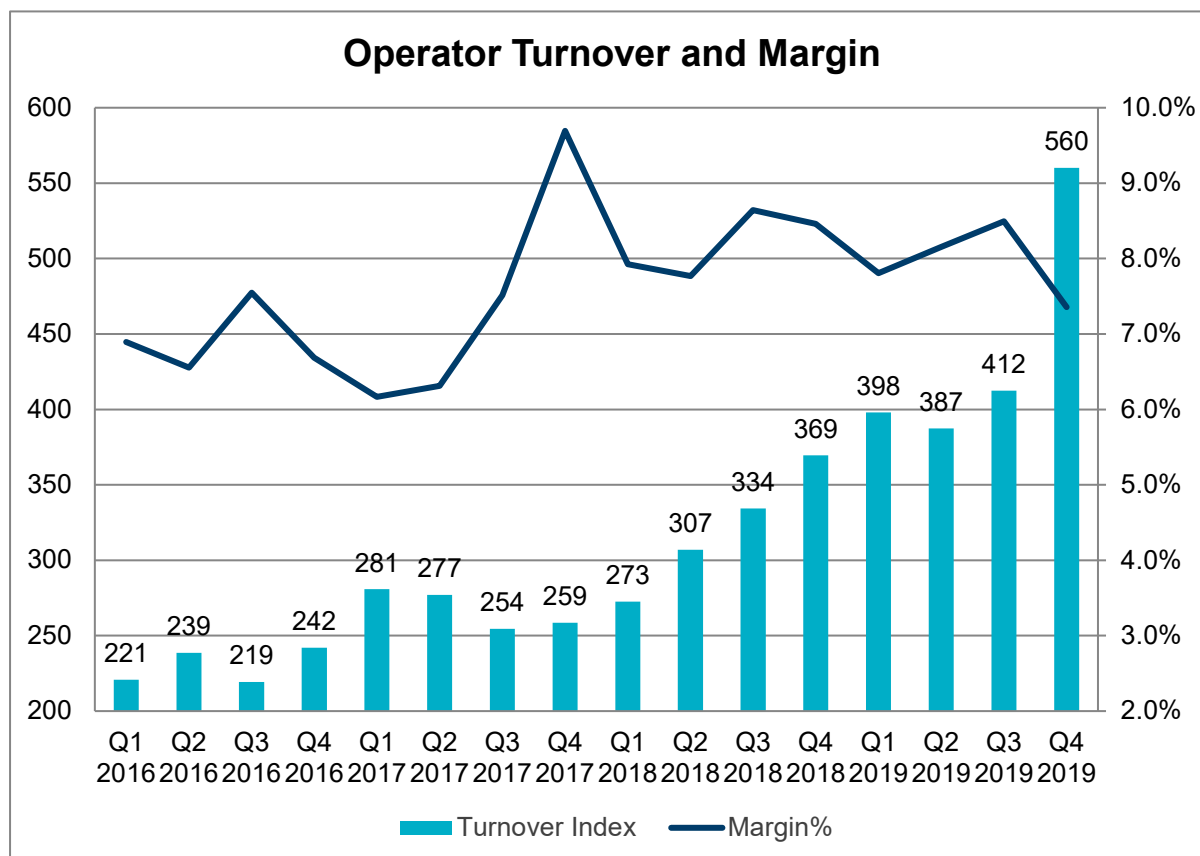
Geographical revenue analysis

Kambi derives its revenue from numerous markets globally, which can be split into three areas of focus for the Company: Europe, Kambi’s historical core market; the Americas (being North, Central and South America), an emerging market for Kambi; and the Rest of the World, being those other opportunities that may arise outside of Kambi’s two main focal areas. Kambi’s revenues have historically been dependent upon the European market, however, with the emergence of the US market, alongside the success of Kambi’s Central and South American operators, it can be seen from the below graph that Kambi’s reliance upon the European market has decreased substantially year on year to 61% (82%), with the Americas comprising 37% (16%) for the fourth quarter of 2019. This demonstrates not only the underlying continued importance of the European market for Kambi, but also how the aforementioned developments in the Americas market have diversified Kambi’s product and customer portfolio.



Operator trading analysis

In the interest of commercial sensitivity and instead of disclosing actual turnover figures, Kambi presents its customers' sports betting turnover as an index called The Kambi Turnover Index, with the first quarter of 2014 indexed at 100. The graph below shows the index since Q1 2016 and also illustrates Kambi's operators' quarterly trading margin.



Operator turnover for the fourth quarter of 2019 was 560, an increase of 52% compared with 369 for the fourth quarter of 2018. This significant increase can largely be attributed growth two key areas. Firstly, we saw a 13% increase in Kambi's core European market. Secondly, Kambi's US expansion was complemented by a busy sporting period in the country. There is a substantial impact of seasonality in the operator turnover results as can be seen by the considerable increase in operator turnover from Q3 2019 to Q4 2019.

Operator trading margin

The operator trading margin for the quarter was 7.4% (Q4 2018: 8.5%). The operator trading margin can fluctuate from quarter to quarter, mainly due to the outcome of sporting events with the highest betting volumes and value. Based on the current commercial and market outlook, with increased US exposure at a slightly lower margin, Kambi expects the operator trading margin for the coming 12 month period to be in the range of 7.0 – 8.0%. This represents a slightly higher expected value than the previous guidance of 6.5 - 8.0% and is driven by increased popularity for higher margin products such as accumulators. The operator trading margin for the past 12 month period has been 8.0%.

The operator turnover is affected by short term variations in operator trading margins; over time there is likely to be a negative correlation i.e. a higher operator trading margin results in lower turnover.

Due to the variance in actual sporting results, there can be deviation from the 12 month expectation without prompting a change in the outlook. The operator trading margin expectations are estimated on a forward-looking rolling 12 month basis and are shared to explain short-term variations in betting patterns and therefore revenues. They are updated quarterly and when updated, previously stated expectations should be considered obsolete.

Currency effects

Kambi's principal currency is the Euro, which is also the reporting currency, but has both costs and revenues in certain other currencies, such as SEK, GBP and USD. No significant impact from currency fluctuations was recognised in Q4 2019.

Cost development

Kambi's cost development is driven by our continued commitment to building a market-leading Sportsbook. Our scalable business model requires strategic investments to deliver on future growth, which impacts both operating expenses and capitalised costs, in:

- Improving the existing offering for all our operators, including player experience, automation, differentiation and risk management
- Channel expansion, primarily development of the retail product
- Market expansion, including into the US markets
- New customer integrations

Capitalised development costs

In the fourth quarter of 2019, development expenditure of €4.1 (3.1) million was capitalised, bringing the total to December 2019 to €14.9 (9.9) million. These capitalised development costs are amortised over three years, starting in the year the costs are incurred. The amortisation charge this quarter was €2.7 (1.8) million, and €9.8 (8.0) million for the full year 2019.

Operating expenses

Operating expenses are a combination of activity-related costs and fixed costs; the main expenses are salaries, office costs, data supplier costs, consultant costs and amortisation. Operating expenses for the fourth quarter of 2019 were €20.5 (17.5) million and €77.6 (63.5) million for the year to December 2019. Total operating expenses are anticipated to increase during Q1 2020 by 3 – 5% compared to Q4 2019, as the business continues to invest in order to capitalise upon new market opportunities, including the costs related to ongoing licence applications in numerous US states. The total operating expenses growth is anticipated to slow during 2020 to within a 14 – 18% increase year on year (2019: 22%).

Operating profit

Operating profit for the fourth quarter of 2019 was €6.2 (4.2) million, with a margin of 23.1% (19.2%), and €14.7 (12.7) million for the full year 2019, with a margin of 16.0% (16.7%).

Impact of IFRS 16

From 1 January 2019, IFRS 16 was applied which required a fundamental change in the accounting for leases. At the adoption date, this resulted in an increase in liabilities of €9.3m and a corresponding increase in Property, plant and equipment, depreciated over the remaining life of each lease. Kambi adopted the modified retrospective approach, with no restatement of comparative information required. Liabilities are classified between current and non-current at each reporting date.

Rent expense is instead primarily recognised as depreciation of the asset within other operating expenses; the difference has a minimal impact on profit from operations in Q4 2019. Cash flows relating to lease payments of €0.8m in Q4 2019 and €2.7m for the full year 2019 are recognised within cash flows from financing activities, whereas they were previously classified within operating activities.

Items affecting comparability – Impairment of investment in Midia Holding Limited

The Group performs a periodic impairment analysis to assess the carrying value of its investments and whether any impairment triggers of the assets in question have been identified.

It has been concluded that the carrying value of Kambi's investment in Midia Holdings Limited can no longer be supported by future financial projections due to circumstances outside the control of both Kambi and Midia Holdings Limited. Kambi remain committed to supporting the company where possible, but due to product priorities in the US and elsewhere, is unable to dedicate the resources that would be required to develop Virtus further as a company.

Therefore, in accordance with IAS 36, Kambi has fully impaired the investment in Midia Holdings Limited at the end of Q4 2019, with an amount of €494,000 being recognised as an expense within items affecting comparability in the Group's income statement.

Profit before tax

Profit before tax for the fourth quarter of 2019 was €5.5 (4.0) million. Profit before tax for the year to December 2019 was €13.6 (12.3) million.

Taxation

The tax expense comprises corporation tax and withholding tax. The tax expense for the fourth quarter of 2019 was €0.9 (0.7) million. Taxation for the full year 2019 was €3.2 (2.4) million, comprising €1.9 (1.9) million corporation tax and €1.3 (0.5) million withholding tax.

Profit after tax

Profit after tax for the fourth quarter of 2019 was €4.6 (3.3) million. Profit after tax for the year to December 2019 was €10.4 (9.8) million.

Financial position and cash flow

The net cash position at 31 December 2019 was €37.7 (31.1) million.

Cash flow from operating and investing activities (excluding working capital) amounted to €4.4 (2.8) million for the fourth quarter of 2019 and €8.6 (8.6) million for the year to December 2019.

Trade and other receivables at 31 December 2019 were €22.0 (18.3) million. This increase is due to Kambi's revenue increase and includes two months of invoices to most of Kambi's operators.

Personnel

Kambi had 865 (695) employees equivalent to 854 (690) full time employees at 31 December 2019, across offices in Malta (headquarters), Australia, Philippines, Romania, Sweden, the UK, and the United States.

Nomination Committee

The Nomination Committee has been updated to reflect Kambi's largest shareholders. The Nomination Committee shall consist of not less than three and not more than five members, of which one shall be the Chairman of the Board of Directors, and shall represent all shareholders.

The Nomination Committee is responsible for reviewing the size, structure and composition of the Board. The Committee also looks at succession planning, the appointment of replacement and/or additional directors and for making the appropriate recommendations to the Board.

The members of the Nomination Committee are:

- Anders Ström, Veralda Investment Ltd (chairman)
- Lars Stugemo, Chairman of the Board of Kambi Group plc
- Mathias Svensson, Keel Capital
- Jonas Eixmann, The Second Swedish National Pension Fund

Shareholders who would like to make proposals to the Nomination Committee may do so via e-mail to: nomination.committee@kambi.com.

Financial information

The financial information has been presented in accordance with International Financial Reporting Standards as adopted by the European Union. All numbers in this report are unaudited. All numbers in this report are shown in Euro (€) and all the numbers in brackets refer to the equivalent period in the previous year.

Financial calendar

24 April 2020	Q1 2020 report
13 May 2020	AGM
23 July 2020	Q2 2020 report
6 November 2020	Q3 2020 report

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About Kambi

Kambi is a provider of premium sports betting services to licensed B2C gaming operators. Kambi Group plc is listed on First North Growth Market at Nasdaq Stockholm. Our services encompass a broad offering from front-end user interface through to odds compiling, customer intelligence and risk management, built on an in-house developed software platform. Kambi's 20-plus customers include 888 Holdings, ATG, DraftKings, Greenwood Gaming & Entertainment, Kindred Group, LeoVegas, Mohegan Gaming & Entertainment, Penn National Gaming, Rank Group and Rush Street Interactive. Kambi employs more than 850 staff across offices in Malta (headquarters), Australia, Romania, the UK, Philippines, Sweden, Australia and the United States.

Kambi utilises a best of breed security approach and is ISO 27001 and eCOGRA certified. Kambi Group plc is listed on First North Growth Market at Nasdaq Stockholm under the symbol "KAMBI". The Company's Certified Advisor is Redeye AB.

Redeye AB, Certifiedadviser@redeye.se, +46 (0)8 121 576 90.

Legal disclaimer

Kambi does not give any forecasts. Certain statements in this report are forward-looking and the actual outcomes may be materially different. Even though management believes any expectations expressed are deemed reasonable, no guarantee can be given that such expectations will prove correct and even if such expectations remain, quarterly fluctuations are common. In addition to the factors discussed, other factors could have an impact on actual outcomes. Such factors include developments for customers, competitors, the impact of economic and market conditions, national and international legislation and regulations, fiscal regulations, the effectiveness of copyright for computer systems, technological developments, fluctuation in exchange rates, interest rates and political risks.

Publication

The information in this report is such that Kambi Group plc is required to disclose under the EU Directive of Market Abuse Regulation and rules for companies listed on the First North Growth Market at Nasdaq Stockholm.

The information in this report was sent for publication on Wednesday, 12 February 2020 at 07:45 CET by CEO Kristian Nylén.

CONSOLIDATED INCOME STATEMENT

€ '000

	Q4 2019	Q4 2018	Jan - Dec 2019	Jan - Dec 2018
Revenue	26,720	21,710	92,294	76,187
Staff costs	-10,482	-7,933	-37,555	-28,205
Amortisation	-2,705	-1,788	-9,796	-7,956
Data supplier costs	-2,478	-1,609	-8,213	-6,608
Other operating expenses	-4,883	-6,211	-22,004	-20,707
Total operating expenses	-20,548	-17,541	-77,568	-63,476
Profit from operations	6,172	4,169	14,726	12,711
<i>Operating margin</i>	<i>23.1%</i>	<i>19.2%</i>	<i>16.0%</i>	<i>16.7%</i>
Investment income	5	10	35	32
Finance costs	-180	-149	-636	-483
Profit before items affecting comparability	5,997	4,030	14,125	12,260
Items affecting comparability ¹	-494	-	-494	-
Profit before tax	5,503	4,030	13,631	12,260
Income tax	-897	-704	-3,182	-2,442
Profit after tax	4,606	3,326	10,449	9,818

¹ Being the impairment of Kambi's investment in Media Holding Limited

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ '000

	Q4 2019	Q4 2018	Jan - Dec 2019	Jan - Dec 2018
Profit after tax for the period	4,606	3,326	10,449	9,818
Other comprehensive income:				
Currency translation adjustments taken to equity	216	121	-578	-277
Actuarial loss on employee defined benefit scheme	-43	-57	-43	-57
Comprehensive income for the period	4,779	3,390	9,828	9,484

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
€ '000

	31 Dec 2019	31 Dec 2018
ASSETS		
<i>Non-current assets</i>		
Intangible assets	18,458	13,353
Investment in associate	-	494
Property, plant and equipment	11,661	3,918
Deferred tax assets	3,321	3,599
	33,440	21,364
<i>Current assets</i>		
Trade and other receivables	21,994	18,329
Cash and cash equivalents	44,988	38,350
	66,982	56,679
Total assets	100,422	78,043
EQUITY AND LIABILITIES		
<i>Capital and reserves</i>		
Share capital	91	90
Share premium	57,640	53,810
Other reserves	3,377	3,496
Currency translation reserve	-2,402	-1,824
Retained earnings	13,037	2,198
Total equity	71,743	57,770
<i>Non-current liabilities</i>		
Convertible bond	7,297	7,251
Lease liabilities	5,011	-
Other liabilities	225	134
Deferred tax liabilities	280	96
	12,813	7,481
<i>Current liabilities</i>		
Trade and other payables	11,076	9,930
Lease liabilities	2,719	-
Tax liabilities	2,071	2,862
	15,866	12,792
Total liabilities	28,679	20,273
Total equity and liabilities	100,422	78,043

CONSOLIDATED STATEMENT OF CASH FLOWS

€ '000

	Q4 2019	Q4 2018	Jan - Dec 2019	Jan - Dec 2018
OPERATING ACTIVITIES				
Profit from operations	6,172	4,169	14,726	12,711
<i>Adjustments for:</i>				
Depreciation of property, plant and equipment	1,214	493	4,534	1,835
Amortisation of intangible assets	2,705	1,788	9,796	7,956
Share of loss/(profit) from associate	-	75	-	75
Share-based payment	143	446	647	578
Operating cash flows before movements in working capital	10,234	6,971	29,703	23,155
(Increase)/decrease in trade and other receivables	-2,311	-2,079	-3,665	-3,743
(Decrease)/increase in trade and other payables	18	-561	1,148	-292
(Decrease)/increase in other liabilities	69	73	91	73
Cash flows from operating activities	8,010	4,404	27,277	19,193
Income taxes paid net of tax refunded	-1,650	-613	-3,727	-2,279
Interest income received	5	20	35	32
Net cash generated from operating activities	6,365	3,811	23,585	16,946
INVESTING ACTIVITIES				
Purchases of property, plant and equipment	-52	-451	-2,508	-1,875
Development and acquisition costs of intangible assets	-4,091	-3,133	-14,889	-9,872
Acquired assets - investment in associate	-	-	-	-569
Net cash used in investing activities	-4,143	-3,584	-17,397	-12,316
FINANCING ACTIVITIES				
Proceeds from issue of new shares	2,264	55	3,831	150
Payment of lease liabilities	-818	-	-2,731	-
Interest paid	-41	-70	-340	-363
Net cash generated/(used in) financing activities	1,405	-15	760	-213
Net increase in cash and cash equivalents	3,627	212	6,948	4,417
Cash and cash equivalents at beginning of period	41,474	38,226	38,350	34,303
Effect of foreign exchange differences	-113	-88	-310	-370
Cash and cash equivalents at end of period	44,988	38,350	44,988	38,350

**CONSOLIDATED STATEMENT OF CHANGES
 IN EQUITY**

€ '000

	Q4 2019	Q4 2018	Jan - Dec 2019	Jan - Dec 2018
Opening balance at beginning of period	64,890	52,640	57,770	46,319
<i>Comprehensive income</i>				
Profit for the period	4,606	3,326	10,449	9,818
<i>Other comprehensive income:</i>				
Translation adjustment	216	121	-578	-277
Actuarial loss on employee defined benefits	-43	-57	-43	-57
	4,779	3,390	9,828	9,484
<i>Transactions with owners</i>				
Share options - value of employee services	143	446	647	578
Other	2,264	325	3,831	420
Tax on share options	-333	969	-333	969
	2,074	1,740	4,145	1,967
Closing balance at end of period	71,743	57,770	71,743	57,770

KEY RATIOS

This table is for information only and does not form part of the condensed financial statements

	Q4 2019	Q4 2018	Jan - Dec 2019	Jan - Dec 2018
Operator turnover ¹ as index of Q1 2014	560	369	n/a	n/a
Operating (EBIT) margin, %	23.1%	19.2%	16.0%	16.7%
EBITDA ² (€m)	10.1	6.5	29.1	22.5
EBITDA margin ³ , %	37.8%	29.7%	31.5%	29.5%
Equity/assets ratio ⁴ , %	71.4%	74.0%	71.4%	74.0%
Employees at period end	865	695	865	695
Earnings per share (€)	0.152	0.110	0.345	0.326
Fully diluted earnings per share (€)	0.148	0.108	0.339	0.318
Number of shares at period end	30,522,197	30,180,197	30,522,197	30,180,197
Fully diluted number of shares at period end	31,054,553	30,875,820	31,054,553	30,875,820
Average number of shares	30,388,925	30,141,447	30,291,711	30,097,697
Average number of fully diluted shares	31,018,964	30,779,959	30,823,711	30,870,276

¹Operator turnover is defined as total stakes placed with operators by end users

²Q4 2019 Includes impact of IFRS 16. On a like-for-like basis, EBITDA for Q4 2019 would be €9.5m (Jan-Dec €26.6m)

³Q4 2019 Includes impact of IFRS 16. On a like-for-like basis, EBITDA margin for Q4 2019 would be 35.6% (Jan - Dec 28.9%)

⁴Q4 2019 Includes impact of IFRS 16. On a like-for-like basis, Equity/assets ratio at 31 December 2019 would be 76.3%