

Kambi Group plc

Q2 Report 2020

Financial summary

- Revenue amounted to €14.8 (Q2 2019: 21.6) million for the second quarter of 2020, a decrease of 32%, and €42.7 (H1 2019: 42.6) million for the first half of 2020
- Operating result (EBIT) for the second quarter of 2020 was €-3.4 (2.5) million, at a margin of -22.7% (11.7%), with operating profit €3.5 (5.1) million, at a margin of 8.2% (12.1%) for the first half of 2020
- Result after tax amounted to €-3.0 (1.6) million for the second quarter of 2020 and €1.7 (3.6) million for the first half of 2020
- Earnings per share for the second quarter of 2020 were €-0.099 (0.052) and €0.056 (0.117) for the first half of 2020
- Cash flow from operating and investing activities (excluding working capital movements) amounted to €-2.8 (0.4) million for the second quarter of 2020 and €1.3 (1.6) million for the first half of 2020

Second quarter financial breakdown

€m	Q2 2020	Q2 2019	Change %	Jan – Jun 2020	Jan – Jun 2019	Change %	Jan – Dec 2019
Revenue	14.8	21.6	-31.6%	42.7	42.6	0.1%	92.3
Operating result	-3.4	2.5		3.5 ^[1]	5.1	-32.2%	14.7
Operating margin	-22.7%	11.7%		8.2%	12.1%		16.0%
Result after tax	-3.0	1.6		1.7 ^[2]	3.6	-51.6%	10.4
Cash flow ^[3]	-2.8	0.4		1.3	1.6		8.6
Net cash	39.1	33.1		39.1	33.1		37.7
Earnings per share	€-0.099	€0.052		€0.056	€0.117	-52.1%	€0.345

^[1] Operating result excludes items affecting comparability recorded in Q1 2020 (bad debt expense of €0.6m)

^[2] Result after tax includes items affecting comparability recorded in Q1 2020 (bad debt expense of €0.6m)

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

Key highlights

- The combination of resilient betting volumes and a gradual return of major leagues and sports, complemented by significant cost reduction measures, have allowed Kambi to successfully weather COVID-19's profound impact on the sporting calendar
- Activity increased month-on-month, culminating in June where operator turnover and gross gaming revenue were ahead of the same period last year
- Renewed partnership agreement with the Colombian market leader Corredor Empresarial and its BetPlay brand, which extends the already successful partnership for the long-term
- Continued US expansion with online launches in Colorado and Illinois, supporting Rush Street Interactive in taking the first legal online bets in both states

CEO comment



“After what has undoubtedly been a testing period for Kambi, as it has for everyone in our sector, I’m proud of the resilience and underlying strength we have displayed in recent months, which bodes well for our future. Of course, the financial numbers published today aren’t as I would have hoped back when we were planning for 2020, but they do reflect a business able to deliver when faced with both adversity and uncertainty.”

Given the impact the pandemic is having on the sporting calendar, to generate 68% of the revenues of the comparative quarter last year is a great achievement. Furthermore, operator turnover accelerated through the period, finishing with year-on-year growth for June, which tells me we are on the right track as a business and well positioned for the second half of 2020 and beyond.

Our ability to successfully navigate the COVID-19 crisis was underpinned by the exceptional contribution from our incredible staff around the globe, who continued to provide a fantastic service to our partners and their end users during these difficult times. For the sports available in Q2, we were able to offer a market-leading product, both pre-match and in-play. For example, in golf and UFC we are seeing our high-quality offering engage players like never before, with volumes reaching all-time highs during the quarter.

The return of top-tier soccer, starting with the German Bundesliga in May, also helped us regain some of the momentum that was abruptly halted in March, delivering encouraging volumes and favourable margin. The third quarter sees the resumption of the main US sports, with the baseball season getting underway last night, basketball to resume on 30 July and the NFL season still scheduled to begin in September.

In parallel to our delivery around sports, we extended our run of market firsts when launching online in both Colorado and Illinois, with our partner Rush Street Interactive taking the first legal bets in both cases. Our record of launching multiple partners across various states in the US is something I am proud of and I know sets us apart from our competitors.

It was also pleasing to secure an extended agreement with Corredor Empresarial and its BetPlay brand. BetPlay has enjoyed great success in the regulated Colombian market, becoming market leader within 12 months of launch, a position it maintains today. While much attention is on the US market, the Latin American market also holds great potential for Kambi.

Although challenges remain, and an element of uncertainty persists, the past few months have proven Kambi can overcome the toughest of tests, and emerge the other side stronger for it. With sports gradually returning and our ambitious partners keen to catch up on lost time, we’re ready for an exciting second half of the year.”

Q2 Highlights

Coronavirus business response

The impact of the coronavirus has been felt across almost all sectors, none more so than the sports betting industry, which is largely reliant on the taking place of high-level sports events. With Kambi focused solely on sports betting, a significant reduction in sports has the potential to significantly reduce our revenue generating capability. However, as Kambi has successfully demonstrated throughout H1 2020, it has the resilience to withstand periods of limited sports as well as the dexterity to scale costs to meet required demand during times of crisis. Kambi's position as the leading global sports betting provider ensured its partners continued to receive a high-quality product and service during this time, even in the absence of their respective popular local sports. Furthermore, Kambi's revenue share model has provided its partners with an important variable cost during less favourable times, giving them greater financial flexibility to cope with the increased financial pressures. Although some uncertainty persists, Kambi and its people have demonstrated their ability to cope with an extended period of adversity and now looks forward to a return to normality and increased sporting action, particularly in 2021 when many of the rescheduled high profile sports tournaments should take place.

Trading update

Kambi Q2 revenues were €14.8m, a decrease of 32% year-on-year, with operator turnover down 33% at an operator trading margin of 8.2%. Despite a significantly reduced sporting calendar due to the ongoing pandemic, betting volumes throughout the quarter remained resilient, with sports such as table tennis, UFC and golf, rallying in the absence of the traditionally more popular sports, such as soccer, tennis and basketball. Kambi's position as an experienced global sportsbook supplier offers protection against local postponement of sports, ensuring we can continue to offer a high-quality, engaging, 24/7 service, even under recent circumstances.

The return of top tier European soccer in mid-May in Germany, followed by the resumption of soccer leagues in countries including England, Spain and Italy from mid-June, resulted in increased activity during the latter half of the quarter. As a result, betting volumes grew month-on-month throughout the period, to the extent that operator turnover and GGR in June recorded year-on-year gains.

The return of the English Premier League generated a significant increase in activity in June, influenced by the greater media focus each game has received as a result of new staggered kick-off times. For example, average turnover per game was up by approximately a third compared to games in Q1. Kambi witnessed an increase in contribution of in-play turnover during the period, as well as a rise in the use of its bet builder and multi builder products.

With a lack of US sporting action during the quarter, coupled with the temporary closures of casinos, the pandemic has had a greater impact on Kambi's US-facing business compared with other regions. However, despite this suppressing effect, Kambi's impressive US expansion over the past 12 months enabled Q2 operator turnover and GGR in the US to increase on a year-on-year basis. While table tennis was the leading driver of turnover in the US during the quarter, the resumption of UFC cards and the PGA Tour golf also had a positive effect. To illustrate the impact of golf, the three tour events held in June comprised the top three turnover events of the entire quarter in the US.

Partner launches

In Q2, Kambi extended its record of market first launches in the US with two more significant achievements. On 1 May, Kambi supported its partners Rush Street Interactive (RSI) and DraftKings with their launches on day one of the regulated Colorado market opening, with RSI's BetRivers brand recording the historic first legal bet. On 18 June, BetRivers also became the first legal online sportsbook

to launch in Illinois, where it held an effective monopoly for the remainder of the quarter. These events once again demonstrate Kambi's unrivalled ability to facilitate quick-to-market launches and thereby provide revenue-generating opportunities for its partners.

New commercial agreements

In Q2, Kambi renewed the partnership agreement with Corredor Empresarial, extending the successful partnership for the long-term. Kambi first signed with Corredor Empresarial in June 2017, providing the technology and services behind the operator's Colombia-facing BetPlay brand, which has since gone on to secure a market leadership position. Kambi is delighted to have strengthened this partnership and looks forward to continued success for years to come.

Events after Q2

Commercial update

On 1 July, Kambi strengthened its relationship with the US tribal gaming sector by entering into a partnership with the Pokagon Band of Potawatomi Indians' Four Winds Casinos. Four Winds Casinos is one of the largest gaming and entertainment brands in the Midwest, operating four properties across Michigan and Indiana. Kambi's expertise and experience in enabling on-property launches in the US is unrivalled, underlined by the fact that Kambi-powered sportsbooks have already been launched at Four Winds Casinos' three properties in Michigan, within just two weeks of contract completion.

The tribal gaming sector in the US holds great potential for Kambi. Having signed with three major tribal casino groups: Mohegan Gaming & Entertainment, Seneca Gaming Corporation and Four Winds Casinos, Kambi believes it offers the high-quality sports betting product and trusted partnership with an independent company that tribal gaming operators desire. Of the approximately one thousand casinos in the US, more than half are tribal-owned, which illustrates the size of the opportunity this sector presents. Furthermore, yet-to-be-regulated states, including the key states of California and Florida, could do so in future years by providing exclusivity to tribal casinos, as per terms of existing local gaming agreements with their respective states. Kambi believes building a strong relationship with the tribal sector at this early stage will increase the size of the opportunity in the longer term.

Partner launches

Despite being just a few weeks into Q3, Kambi has already completed six property partner launches in the US. On 10 July, Kambi completed a remote launch (please see 'Kambi initiative' for more) with DraftKings and its partner Twin River Mardi Gras in Colorado. This was quickly followed on 13 July by the simultaneous launch of three casinos in Michigan with Kambi's new partner Four Winds Casinos, with the launches coming less than two weeks after contract completion. On 17 July, Kambi supported Rush Street Interactive with the launch of its BetRivers sportsbook at the Little River Casino in Michigan. On 21 July, the Kambi sportsbook was launched at Penn National Gaming's Ameristar Black Hawk casino in Colorado. The ability to successfully complete six on-property launches in the space of two weeks underlines Kambi's unrivalled expertise in this area and illustrates why Kambi is considered to be the trusted sports betting supplier in the US and around the world.

Partner updates

888

After its Sweden-based players were migrated in early April 2020, 888 Holdings has given Kambi notice that it plans to transfer its players based in the UK and dot.com markets, which generate over half of the operator's sport revenue, to its proprietary sportsbook by the end of this year. Players from the remaining territories where 888 operates a Kambi sportsbook are set to follow gradually.

DraftKings

As per the press release, Kambi and DraftKings have reached a mutual agreement regarding the migration phase of DraftKings to its proprietary technology, which secures Kambi with full revenue until the end of the partnership. The agreement, which also harmonises migration obligations between the two parties, will end 30 September 2021. This new agreement follows DraftKings' acquisition of a technology and sports betting provider in a transaction which was completed in Q2 2020.

Regulatory update

United States

The state-by-state regulation of sports betting in the US slowed considerably in Q1 due to the impact of the pandemic. However, several states continued to make progress towards regulation in H2 2020 and into next year.

In **Illinois**, online sports betting went live in June, as the governor temporarily removed the requirement for on-property registration as a result of the pandemic. Kambi partner Rush Street Interactive was the only operator to launch during the month.

In April, **Virginia** legalised sports betting and Kambi expects detailed regulations to be released in Q3 2020, for a planned launch in Q1 2021. It is understood that up to 12 online operators will be allowed into the market, with a tax rate of 15% of revenue.

In **California**, a bill which sought to regulate online sports betting was withdrawn by its sponsor after it failed to satisfy all stakeholders. While we expect further discussion of new bills over the next 12-18 months, any real progress is now unlikely until 2022 at the earliest.

In **Ohio**, Kambi expects a bill seeking to legalise sports betting to be progressed in September, when the legislature resumes. This could potentially lead to regulated sports betting going live in Ohio before the end of 2020.

Kambi continues to await further progress in **Washington**, after it became the 21st state to legalise betting on sports (in this case, in tribal casinos only). There remains no current plan to introduce online sports betting in Washington in the immediate future.

As reported in Q1, a bill in **Massachusetts** has been proposed to authorise sports betting for three casinos and up to five online operators with a tax rate of 10% and 12% of revenue respectively. The deadline for the legislature to pass the bill is July 31.

In **Michigan**, Kambi obtained licences with the following tribes: Michigan Little River Band of Ottawa Indians and Michigan Pokagon Band of Potawatomi Indians (Four Winds). In addition, Kambi successfully achieved the conversion to permanent licensing in the states of **Indiana** and **Pennsylvania**.

Below, Kambi details the US states in which it is live and generating revenue:

State	Population (m)	Online skins	Retail properties	Kambi-powered operators
Illinois	12.7	1	2	RSI*, Penn**
Indiana	6.7	2	3	RSI, DraftKings, Penn
Iowa	3.2	1	4	Penn, DraftKings
Michigan	10.0	n/a	5	RSI, Penn, Four Winds
Mississippi	3.0	n/a	5	Penn
New Hampshire	1.4	1	n/a	DraftKings
New Jersey	8.9	4	1	RSI, Kindred, DraftKings, 888
New York	19.5	n/a	5	RSI, Seneca, DraftKings
Pennsylvania	12.8	5	9	RSI, Penn, Parx, Kindred, DraftKings
West Virginia	1.8	1	1	Penn, DraftKings
Colorado	5.8	2	2	RSI, Penn, DraftKings

* RSI = Rush Street Interactive

** Penn = Penn National Gaming

Rest of the world

The city of **Buenos Aires** has approved regulations for online gambling, with a potential market go live date of Q4 2020. An unlimited number of operating licenses will be available, although operators must have been in business for at least two years.

The government body responsible for driving investment in **Brazil** has included sports betting in a fast-track privatisation process with the aim of creating new jobs and generating revenue. However due to ongoing delays resulting from a recent consultation and the requirement for a further consultation to deal with the appropriate regulatory structure and concession terms, the launch of regulated sports betting in Brazil is unlikely to happen until 2021.

Panama has seen a recent update to regulations legalising gambling for casino and sports-betting services. Kambi is currently exploring this opportunity.

Germany has notified its draft interstate gambling treaty to the European Commission (EC), setting in motion procedures that could lead to the new gambling regime taking effect on 1 July 2021. Similarly, the government in the **Netherlands** has submitted an amended version of its Remote Gambling Act for EC review and approval, again with the aim of going live in July 2021.

In **Sweden**, the previously proposed bonus and deposit caps have been approved but will not apply to sports betting. Although this will not directly affect Kambi, it will inevitably have some impact on other verticals of Kambi's operators in the Swedish market. These restrictions, in place from 1 July 2020, are expected to remain in place until the end of the calendar year.

In **Spain**, new restrictions on gambling advertising have been announced, including a ban on the advertising of gambling products on football shirts and the broadcast of television adverts outside of the permitted hours of 1am to 5am. Meanwhile, in the **Ukraine**, a remote gambling bill recently passed its

second reading and will now be progressed to the relevant committees for approval before being presented to the President for final ratification. Tax rates have yet to be decided.

Kambi initiatives

Leveraging technology to enable on-property

The ongoing pandemic has had a greater impact on the retail sector than online. As countries and states begin to exit lockdown, Kambi has been working closely with its partners to enable them to re-open their retail sportsbooks safely and, as highlighted by our recent launches, resume plans for new on-property sportsbook openings. Upon re-opening, retail establishments must operate with social distancing measures and sanitising procedures in place, which can cause some user experience issues in busy sportsbooks.

Already popular with operators and end users before the pandemic, Kambi's Bring Your Own Device (BYOD) technology has grown in significance, with the product enabling bettors to create betslips on their mobile phone to then be scanned on-property for quick and easy bet placement. Currently not being offered by any other provider in the market, BYOD significantly reduces queuing times, limits contact with surfaces, and introduces bettors to the operator's digital environment. BYOD has seen increased interest from partners and prospective partners in recent months and was a key promotional tool as Four Winds Casinos opened their on-property sportsbooks earlier this month.

Kambi is always seeking ways in which it can improve its service and, given the challenging conditions the retail sector is operating in, has been developing innovative ways to increase productivity while reducing resource. The headline is the introduction of a 'remote launch', which has already enabled Kambi to successfully perform a sportsbook launch without the need to be present at the property, and provides the operator with full flexibility on launch date. As our partners look to capitalise on the return of US sports in Q3, multiple launches across several states are planned throughout July and August and Kambi is now even better positioned to support its partners during this busy period.

Financial review

Revenue

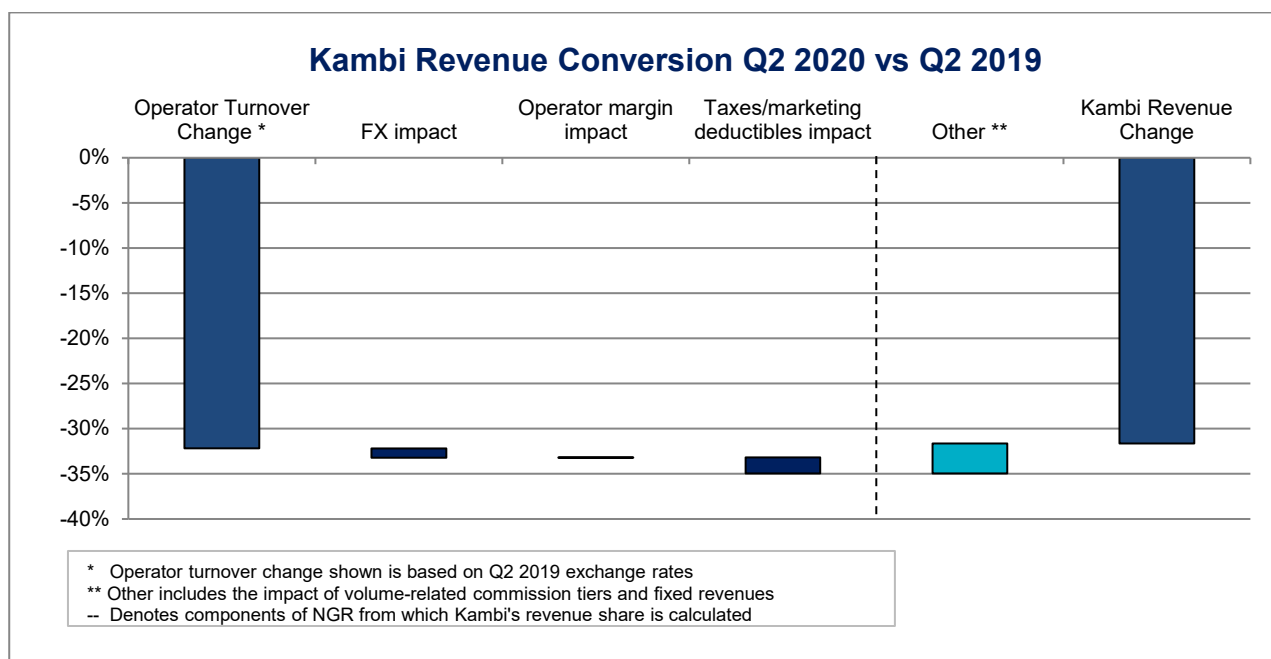
Revenue represents fees received for sports betting services rendered to Kambi’s operators. In the second quarter of 2020, revenue was €14.8 (Q2 2019: 21.6) million. Revenue derived from locally regulated markets in Q2 was 74% (71%). Revenue for the first half year 2020 was €42.7 (H1 2019: 42.6) million.

The operator turnover change in Q2 2020 was -33% (26%) and the operator trading margin was 8.2% (8.2%). The operator trading margin for the first half year 2020 was 8.9% (8.0%).

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). To promote and support growth, some of the customer contracts include tiers with lower commission rates on the higher levels of their sports betting revenues. As a result of the lower turnover due to the global pandemic, the ‘other’ category in the below chart shows an increase in Q2 due to higher effective commission rates in Q2 2020 than in Q2 2019.

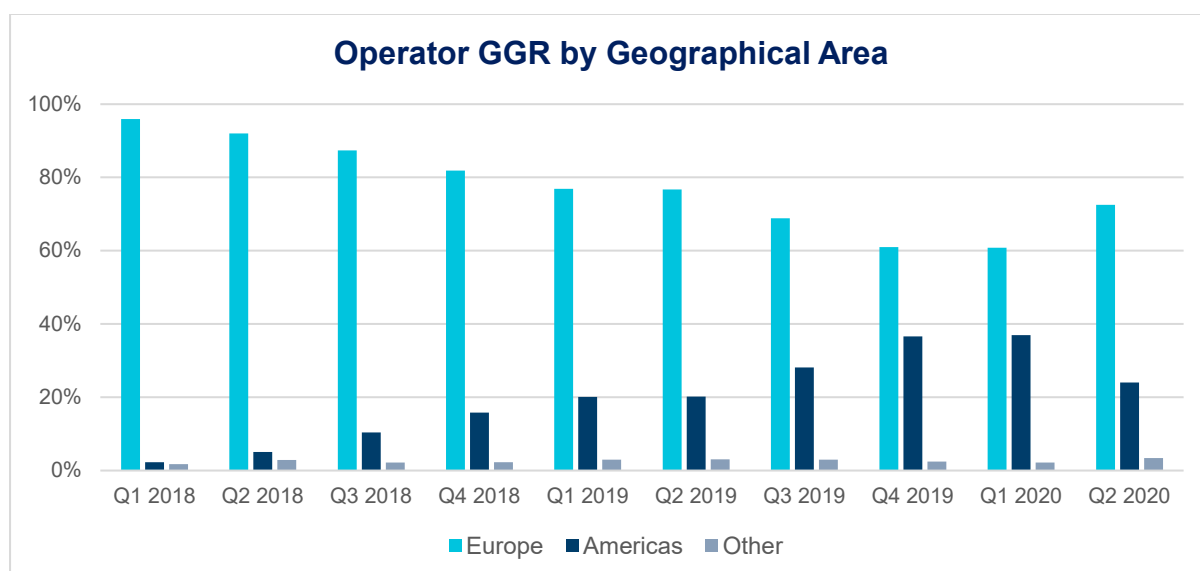
The net effect of the above factors was a €6.8 million decrease in quarterly revenue year-on-year.

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



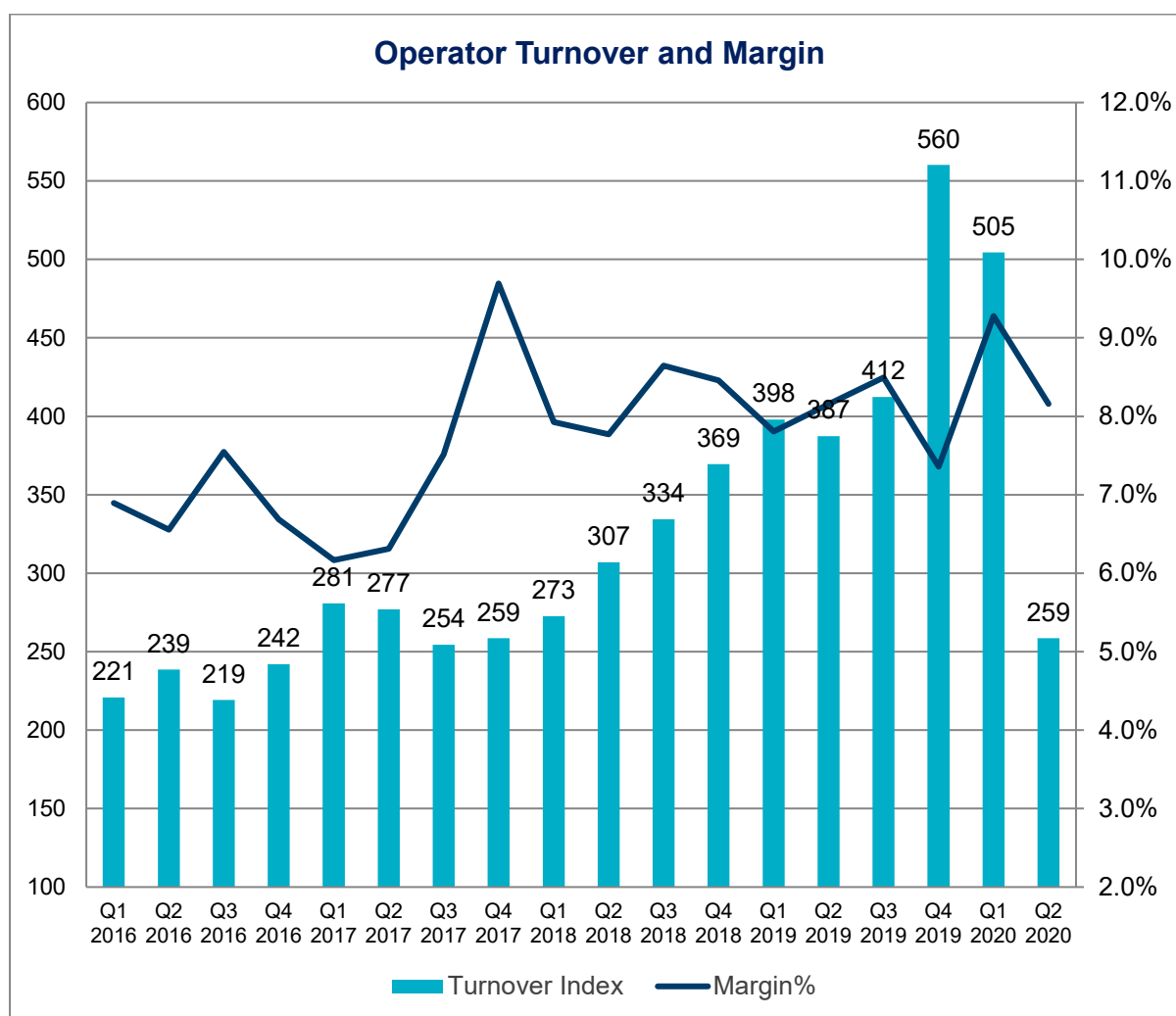
Geographical revenue analysis

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, but since 2018 this dependency has gradually declined with increasing contributions from the emerging US market, alongside the success of Kambi’s Central and South American operators. In comparison to Q2 2019, Kambi’s reliance upon the European market has decreased to 73% (77%). This demonstrates the continued trend towards diversification of Kambi’s product and customer portfolio, notwithstanding the temporary change in the percentage of revenue derived from the Americas market in comparison to Q1 2020. This is attributable both to the return of European football leagues and the reduced US sporting calendar including rescheduling of major play-off events in NBA and NHL and closure of US retail outlets as a result of COVID-19 preventative measures, and therefore significantly decreased activity in this market.

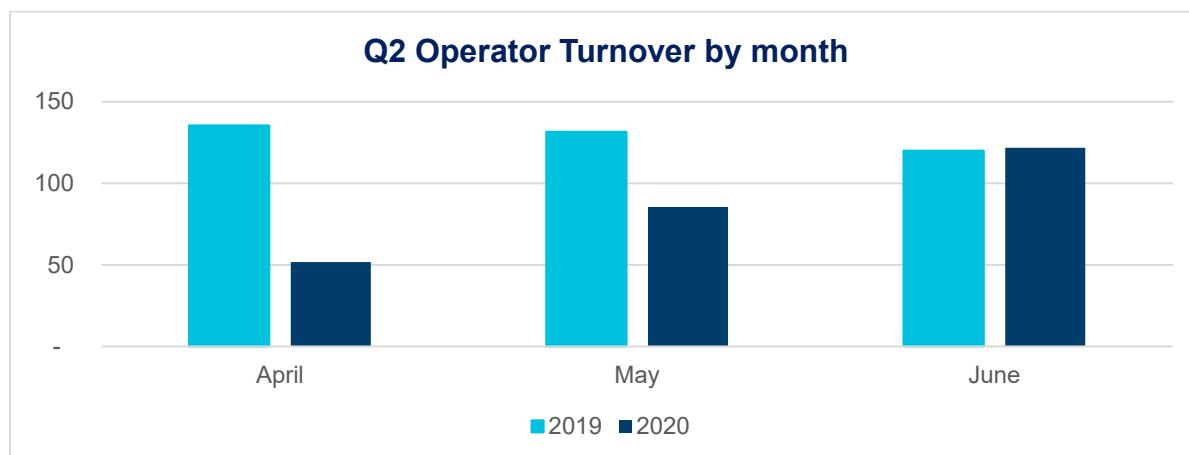


Operator trading analysis

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 second quarter of 2020 was 259, a decrease of 33% compared with 387 for the second quarter of 2019. This represents a strong result given the quieter sporting calendar due to the global COVID-19 pandemic with performance improving throughout the quarter with the return of European soccer leagues, tour golf and UFC. This is further demonstrated by the fact that 47% of operator turnover for the quarter was generated during the month of June compared to 33% in May and 20% in April, as illustrated by the graph below.



Operator trading margin

The operator trading margin for the quarter was 8.2% (8.2%), driven by favourable results in European soccer from mid-May onwards. 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%. The operator trading margin for the past 12 month period has been 8.3%.

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 which can cause short-term fluctuations. However, as Kambi has both revenues and costs in the same currencies, this creates, to some extent, a natural hedge which partly mitigates the impact these fluctuations may have. There was no significant net impact to Kambi of currency movements during the quarter.

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 second quarter of 2020, development expenditure of €3.4 (3.9) million was capitalised with €8.2 (7.4) million capitalised in the first half year 2020. The decrease compared to previous and comparative quarters is due to the reduced working hours from Swedish employees, in accordance with the Swedish government subsidy scheme. These capitalised development costs are amortised over three years, starting in the year the costs are incurred. The amortisation charge this quarter was €3.0 (2.4) million, and for the first half year 2020 was €5.9 (4.6) million.

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 second quarter of 2020 were €18.1 (19.1) million, and €39.2 (37.5) million for the first half year 2020 as cost saving initiatives implemented in March 2020 were realised. Operating expenses decreased by €2.9 million compared to Q1 2020, with over half of the cost reduction attributed to areas including data supply, travel and marketing, and the rest from government subsidy schemes.

Operating expenses for the second quarter of 2020 are slightly higher than indicated in the Q1 2020 report due to the ramping up of the business with the return of the sporting calendar.

Total operating expenses are anticipated to increase during Q3 2020 by €2.5 – 3.5 million in comparison to Q2 2020. This increase is primarily driven by employee, network and data supplier costs returning to pre-COVID-19 levels as the sporting calendar continues to return.

Kambi has outstanding share options which require costs to be recognised for IFRS 2 accounting charges and employer's social security costs. Costs of €0.7 (€0.3) million were recorded during Q2 2020, with further anticipated costs for the remainder of the calendar year expected to be €1.5 – 2.0 million.

Operating result

Operating result for the second quarter of 2020 was €-3.4 (2.5) million, with a margin of -22.7% (11.7%), and €3.5 (5.1) million for the first half year 2020, with a margin of 8.2% (12.1%).

Result before tax

Result before tax for the second quarter of 2020 was €-3.5 (2.4) million. Result before tax for the first half year 2020 was €2.6 (4.9) million.

Taxation

The tax expense comprises corporation tax and withholding tax. The tax expense for the second quarter of 2020 was a credit of €0.5 (0.8 expense) million, reflecting the operating loss for the period. The tax expense for the first half year 2020 was €0.9 (1.3) million.

Result after tax

Result after tax for the second quarter of 2020 was €-3.0 (1.6) million. Result after tax for the first half year 2020 was €1.7 (3.6) million.

Financial position and cash flow

The net cash position at 30 June 2020 was €39.1 (33.1) million.

Cash flow from operating and investing activities (excluding working capital) amounted to €-2.8 (0.4) million for the second quarter of 2020, and €1.3 (1.6) million for the first half year 2020. Net cash flow was an increase of €0.5 (-0.2) million for the quarter, with the resulting cash balance at the end of Q2 2020 amounting to €46.4 (40.4) million.

Personnel

Kambi had 862 (777) employees equivalent to 850 (771) full time employees at 30 June 2020, across offices in Malta (headquarters), Australia, Philippines, Romania, Sweden, the UK, and the United States.

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

6 November 2020	Q3 2020 report
10 February 2021	Q4 2020 report
28 April 2021	Q1 2021 report
28 July 2021	Q2 2021 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.

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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 Friday, 24 July 2020 at 07:45 CET by CEO Kristian Nylén.

CONSOLIDATED INCOME STATEMENT
€ '000

	Q2 2020	Q2 2019	Jan - Jun 2020	Jan-Jun 2019	Jan - Dec 2019
Revenue	14,774	21,611	42,662	42,604	92,294
Staff costs	-8,612	-8,639	-19,061	-16,919	-37,555
Amortisation	-3,049	-2,362	-5,907	-4,578	-9,796
Data supplier costs	-1,981	-1,871	-4,662	-3,832	-8,213
Other operating expenses	-4,483	-6,205	-9,548	-12,134	-22,004
Total operating expenses	-18,125	-19,077	-39,178	-37,463	-77,568
Result from operations	-3,351	2,534	3,484	5,141	14,726
<i>Operating margin</i>	<i>-22.7%</i>	<i>11.7%</i>	<i>8.2%</i>	<i>12.1%</i>	<i>16.0%</i>
Investment income	2	8	6	19	35
Finance costs	-159	-149	-326	-306	-636
Result before items affecting comparability	-3,508	2,393	3,164	4,854	14,125
Items affecting comparability ¹	-	-	-590	-	-494
Result before tax	-3,508	2,393	2,574	4,854	13,631
Income tax	466	-813	-851	-1,294	-3,182
Result after tax	-3,042	1,580	1,723	3,560	10,449

¹2020: Bad debt expense in relation to National Lottery AD (2019: Impairment of Kambi's investment in Midia Holding Limited)

CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME
€ '000

	Q2 2020	Q2 2019	Jan - Dec 2020	Jan-Jun 2019	Jan - Dec 2019
Result after tax for the period	-3,042	1,580	1,723	3,560	10,449
Other comprehensive income:					
Currency translation adjustments taken to equity	187	-659	-1,001	-749	-578
Actuarial loss on employee defined benefit scheme	-	-	-	-	-43
Comprehensive result for the period	-2,855	921	722	2,811	9,828

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
€ '000

	30 Jun 2020	30 Jun 2019	31 Dec 2019
ASSETS			
Non-current assets			
Intangible assets	20,735	16,151	18,458
Investment in associate	-	494	-
Property, plant and equipment	10,952	11,643	11,661
Deferred tax assets	3,228	3,592	3,321
	34,915	31,880	33,440
Current assets			
Trade and other receivables	19,200	17,830	21,994
Cash and cash equivalents	46,442	40,354	44,988
	65,642	58,184	66,982
Total assets	100,557	90,064	100,422
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	92	90	91
Share premium	58,050	54,821	57,640
Other reserves	4,059	3,748	3,377
Currency translation reserve	-3,403	-2,573	-2,402
Retained earnings	14,760	5,758	13,037
Total equity	73,558	61,844	71,743
Non-current liabilities			
Convertible bond	7,320	7,274	7,297
Lease liabilities	4,411	6,074	5,011
Other liabilities	256	147	225
Deferred tax liabilities	279	96	280
	12,266	13,591	12,813
Current liabilities			
Trade and other payables	10,540	10,455	11,076
Lease liabilities	2,842	2,276	2,719
Tax liabilities	1,351	1,898	2,071
	14,733	14,629	15,866
Total liabilities	26,999	28,220	28,679
Total equity and liabilities	100,557	90,064	100,422

CONSOLIDATED STATEMENT OF CASH FLOWS
€ '000

	Q2 2020	Q2 2019	Jan - Jun 2020	Jan-Jun 2019	Jan - Dec 2019
OPERATING ACTIVITIES					
Result from operations	-3,351	2,534	3,484	5,141	14,726
<i>Adjustments for:</i>					
Depreciation of property, plant and equipment	1,265	1,095	2,467	2,167	4,534
Amortisation of intangible assets	3,049	2,362	5,907	4,578	9,796
Bad debt expense	-	-	-590	-	-
Share-based payment	394	125	683	252	647
Operating cash flows before movements in working capital	1,357	6,116	11,951	12,138	29,703
(Increase)/decrease in trade and other receivables	6,077	544	2,794	499	-3,665
(Decrease)/increase in trade and other payables	-2,017	-313	-535	840	1,148
(Decrease)/increase in other liabilities	13	6	31	13	91
Cash flows from operating activities	5,430	6,353	14,241	13,490	27,277
Income taxes paid net of tax refunded	-275	-1,189	-1,240	-1,883	-3,727
Interest income received	2	8	6	19	35
Net cash generated from operating activities	5,157	5,172	13,007	11,626	23,585
INVESTING ACTIVITIES					
Purchases of property, plant and equipment	-406	-628	-1,216	-1,342	-2,508
Development and acquisition costs of intangible assets	-3,444	-3,862	-8,184	-7,376	-14,889
Net cash used in investing activities	-3,850	-4,490	-9,400	-8,718	-17,397
FINANCING ACTIVITIES					
Proceeds from issue of new shares	-	-	11	1,011	3,831
Payment of lease liabilities	-584	-670	-1,074	-1,295	-2,731
Interest paid	-264	-247	-308	-278	-340
Net cash generated/(used in) financing activities	-848	-917	-1,371	-562	760
Net increase in cash and cash equivalents	459	-235	2,236	2,346	6,948
Cash and cash equivalents at beginning of period	46,269	40,766	44,988	38,350	38,350
Effect of foreign exchange differences	-286	-177	-782	-342	-310
Cash and cash equivalents at end of period	46,442	40,354	46,442	40,354	44,988

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ '000

	Q2 2020	Q2 2019	Jan - Jun 2020	Jan-Jun 2019	Jan - Dec 2019
Opening balance at beginning of period	76,019	60,798	71,743	57,770	57,770
Comprehensive income					
Result for the period	-3,042	1,580	1,723	3,560	10,449
<i>Other comprehensive income:</i>					
Translation adjustment	187	-659	-1,001	-749	-578
Actuarial loss on employee defined benefits	-	-	-	-	-43
	-2,855	921	722	2,811	9,828
Transactions with owners					
Share options - value of employee services	394	125	683	252	647
Other	-	-	410	1,011	3,831
Tax on share options	-	-	-	-	-333
	394	125	1,093	1,263	4,145
Closing balance at end of period	73,558	61,844	73,558	61,844	71,743

KEY RATIOS

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

	Q2 2020	Q2 2019	Jan - Jun 2020	Jan - Jun 2019	Jan - Dec ¹ 2019
Operator turnover ¹ as index of Q1 2014	259	387	n/a	n/a	n/a
Operating (EBIT) ² margin, %	-22.7%	11.7%	8.2%	12.1%	16.0%
EBITDA ² (€m)	1.0	6.0	11.9	11.9	29.1
EBITDA ² margin, %	6.5%	27.7%	27.8%	27.9%	31.5%
Equity/assets ratio, %	73.2%	68.7%	73.2%	68.7%	71.4%
Employees at period end	862	777	862	777	865
Earnings per share (€)	-0.099	0.052	0.056	0.117	0.345
Fully diluted earnings per share (€)	-0.097	0.051	0.055	0.115	0.339
Number of shares at period end	30,829,697	30,268,197	30,829,697	30,268,197	30,522,197
Fully diluted number of shares at period end	32,175,181	30,947,364	32,175,181	30,947,364	31,054,553
Average number of shares	30,829,697	30,268,197	30,727,763	30,327,353	30,291,711
Average number of fully diluted shares	31,279,177	30,946,539	31,142,925	30,911,592	30,823,711