

Kambi Group plc

Q1 Report 2018

Financial summary

- Revenue amounted to €16.4 (14.2) million for the first quarter of 2018
- Operating profit (EBIT) for the first quarter of 2018 was €2.0 (1.4) million, with a margin of 12% (10%)
- Profit after Tax amounted to €1.5 (1.1) million for the first quarter of 2018
- Earnings per share for the first quarter of 2018 were €0.051 (0.036)
- Cash flow from operating and investing activities (excluding working capital) amounted to €0.6 (0.8) million for the first quarter of 2018

First quarter financial breakdown

€m	Q1 2018	Q1 2017	Jan - Dec 2017
Revenue	16.4	14.2	62.1
Operating result	2.0	1.4	7.7
Operating margin	12%	10%	12%
Result after tax	1.5	1.1	5.9
Cash flow ¹	0.6	0.8	4.7
Net cash	28.9	23.8	26.9
Earnings per share	€0.051	€0.036	€0.198

¹ Cash flow from operating and investing activities excluding movements in working capital

Key highlights

- Strong financial performance with 15% year-on-year revenue growth
- Signed two new customers: Casumo in Q1 and Stanleybet Romania in Q2, extending our run of new business wins to 10 consecutive quarters
- Acquired stake in virtual sports start-up Virtus Sports for €569,000

CEO comment



Kambi kicked off the year in positive fashion with Q1 2018 delivering double-digit revenue growth, a strategic investment in a virtual sports company and the signing of a new customer. In addition, since the end of the quarter, we added another operator to the Kambi network, stretching our run of new customer wins to an impressive 10 consecutive quarters.

The Q1 metrics were encouraging as we continued to build upon the momentum gained during the second half of 2017. Kambi revenue grew 15% year-on-year, while operating profit increased by 42%. In Q1, operator trading margin was higher than our long-term expected average at 7.9%, albeit down from the unusually high operator trading margin of 9.7% in Q4 2017.

In March, we signed our 16th customer in Casumo. As an innovative and gamification-led operator, Casumo sought a sportsbook solution which could give them the ability to create a betting product true to their brand. The Kambi platform is unique in that it promotes operator innovation so Casumo is seen as a good fit for us and I'm delighted to have them join the Kambi network.

Meanwhile, last week we signed a multi-channel deal with Stanleybet Romania, one of the most recognised and respected sports betting brands in the regulated Romanian market. This is a significant deal for Kambi with Stanleybet Romania initially migrating its online players to the Kambi platform ahead of installing Kambi's full suite of retail products across its 300-plus retail stores. To sign two vastly different customers with very different requirements highlights the Kambi Sportsbook's ability to satisfy a wide spectrum of operators and player segments.

Finally, in February we made a strategic investment into virtual sports developer and supplier Virtus Sports. We believe this deal will strengthen the Kambi offering through the addition of a virtual sports product growing in popularity.

With a World Cup around the corner and preparations for the potential opening of a US market progressing well, the levels of excitement and optimism at Kambi continue to grow.

Q1 Highlights

Kambi's revenue increased 15% compared with the prior year to €16.4m in Q1 with an operator trading margin of 7.9%, a level much higher than our long-term expected average of 6.5 - 7%. Although operator turnover during the quarter increased sequentially, it fell marginally year-on-year. This is partly attributable to a residual impact of the unusually high margin seen in Q4 2017, coupled with similar levels of margin during the early part of Q1 2018. It is also worth noting that Q1 2017 delivered Kambi's record low operator trading margin, which in turn inflated operator turnover to its highest ever level during that period. However, as expected, operator turnover increased throughout Q1 2018 as sporting results normalised and the lag effect of Q4 2017 tailed off.

The quarter was notable for encouraging performances from two of our more recent customer signings - Bulgaria's National Lottery AD and its 7777 brand, and Colombia's Corredor Empresarial and its BetPlay sportsbook. Despite the brands having only received their official launches in January, both made material contributions to Kambi's Q1 figures, illustrating the speed at which operators can make progress with Kambi. We are confident both operators will continue their progress throughout the rest of 2018.

In line with Kambi customer Kindred Group's communicated plan to migrate its Stan James player database to its Unibet brand, Kambi welcomed the new Unibet customers to its Sportsbook platform on 26 February. The transition has given the former Stan James players access to the leading sports betting experience on the market, and in turn further strengthened the Kambi network.

Strategic investment in Virtus Sports

In February, Kambi agreed to purchase a 25% stake in virtual sports start-up Virtus Sports for €569,000. In recent years, virtual sports has become an important part of the sportsbook offer and we have observed a growing appetite among our customers to offer a virtual sports product. Through our investment in Virtus Sports, we will be able to offer our customers a high quality virtual sports product and deliver greater player engagement and cross-sell opportunities. Virtus Sports will be integrated into the Kambi platform and exploration work is already underway ahead of carrying out the integration.

New customer signing

In March, Kambi signed an agreement with Casumo, one of the fastest growing gaming brands in the industry. This growth has been built on Casumo's incorporation of social gaming features into real-money games to create entertaining gaming experiences. As part of the multi-year deal, Kambi will provide its Sportsbook and technology services, including open APIs, to Casumo to build a sports betting experience with gamification at its core. The new sports product will primarily target casual bettors and the millions of sports fans who have never placed a bet, with a focus on offering players fun and playful betting opportunities. Development of the Casumo product is on track and expected to launch ahead of this summer's World Cup.

Events after Q1

Kambi signs 17th customer

In April, Kambi signed a multi-channel deal with Stanleybet Romania, one of the most recognisable sports betting brands in the regulated Romanian market. Stanleybet Romania has been active in the country since 2004, during which time it has developed into a retail market leader, operating more than 300 betting shops across the country. Following regulation in 2015, Stanleybet Romania moved into the remote sector for the first time, launching Stanleybet.ro. The agreement will see Kambi provide Stanleybet Romania with its full multi-channel service, with Stanleybet.ro migrating to the Kambi platform this year and a retail roll-out scheduled to commence next year.

While the signings of Casumo and Stanleybet have their own individual merits, together they highlight the flexibility of the Kambi platform to simultaneously house such diverse operators. Kambi's overarching strategy is to create a scalable Sportsbook platform which empowers operators to innovate and create unique sports betting experiences. With the ability to leverage the Kambi Sportsbook in their own specific way, Casumo and Stanleybet will be able to target very different player segments in line with their own strategic requirements.

Kambi initiatives

World Cup ready

This summer's World Cup provides our customers with an opportunity to engage with, reactivate and acquire players that may not ordinarily bet or who have never before experienced the Kambi Sportsbook. The World Cup also provides an exciting opportunity for Kambi. Compared to the previous World Cup in 2014, we now have twice as many customers, with many holding prominent market

positions in competing nations such as Colombia, Mexico, England, Belgium, Denmark, Sweden and Spain.

As such, it is essential we provide our customers with the best football and sports betting service possible. We are confident our long and detailed preparation, as well as the benefits we receive from our unrivalled global reach, will ensure our customers offer the most comprehensive and locally relevant World Cup product in each market they operate.

In February, we held our annual Kambi Operator Summit during which we showcased how our customers can best leverage the Kambi Sportsbook before, during and after the tournament. This ranged from demonstrations of our operator empowerment tools, such as price differentiation and open APIs, through to our Bonus Toolbox and real-time player activity feeds.

Furthermore, Kambi has planned a number of market firsts for the World Cup. Our customers will receive an extended range of pre-match and in-play markets and as well as a wider variety of instant bet offers, as we continue to look for new and exciting betting opportunities no matter what the complexity may be for our systems and traders. In addition, Kambi has developed a new penalty shoot-out model which will add greater depth and excitement to what is the most thrilling phase of a football match.

US preparations continue

While we still await the decision of the US Supreme Court regarding the repeal of the country's current federal ban on sports betting, Kambi continues to progress with its market entry plans in anticipation of the prohibition being lifted. Kambi has advanced with the licensing processes, including in New Jersey, and is also taking the necessary steps to ensure it fulfils the corporate obligations required to trade in the US. We remain confident we will be ready to launch a market-leading sports betting product in the US on the first day it is legally permitted to do so.

Financial review

Revenue

Revenue represents fees received for sports betting services rendered to Kambi’s operators. In the first quarter of 2018, revenue was €16.4 (14.2) million. Revenue derived from locally regulated markets in Q1 was 50%.

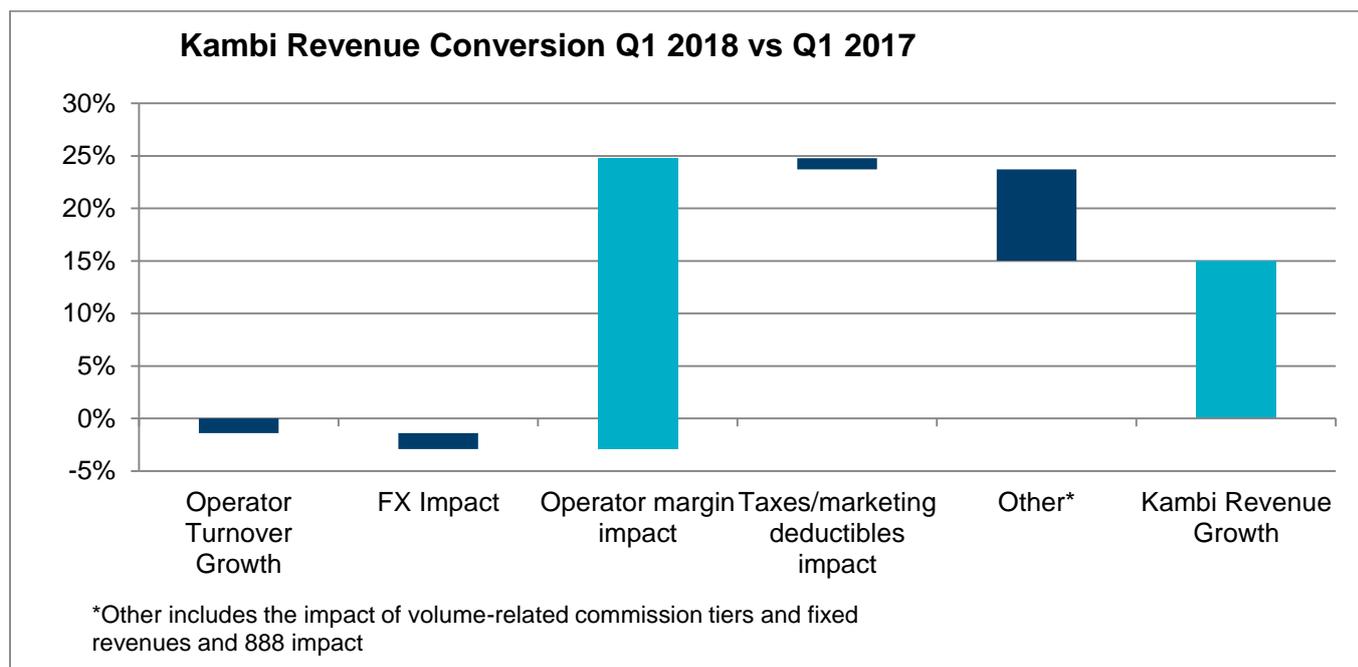
Kambi charges its operators a fee based on a number of variables including fixed fees, the number of live events offered and commission based on a revenue share of operators’ Gross Gaming Revenue less deductible costs, such as marketing and tax. The most significant part of Kambi’s revenue comes from the revenue share element. The trading margin of 7.9% is higher than the average margin for 2017 of 7.4%, and significantly above Q1 2017 margin of 6.2%.

Additionally, 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. The growth in the business of many of the operators resulted in a lower effective commission rate in Q1 2018 than in Q1 2017.

Q1 was also the last quarter in which a year on year impact of the 888 contract renewal will be seen.

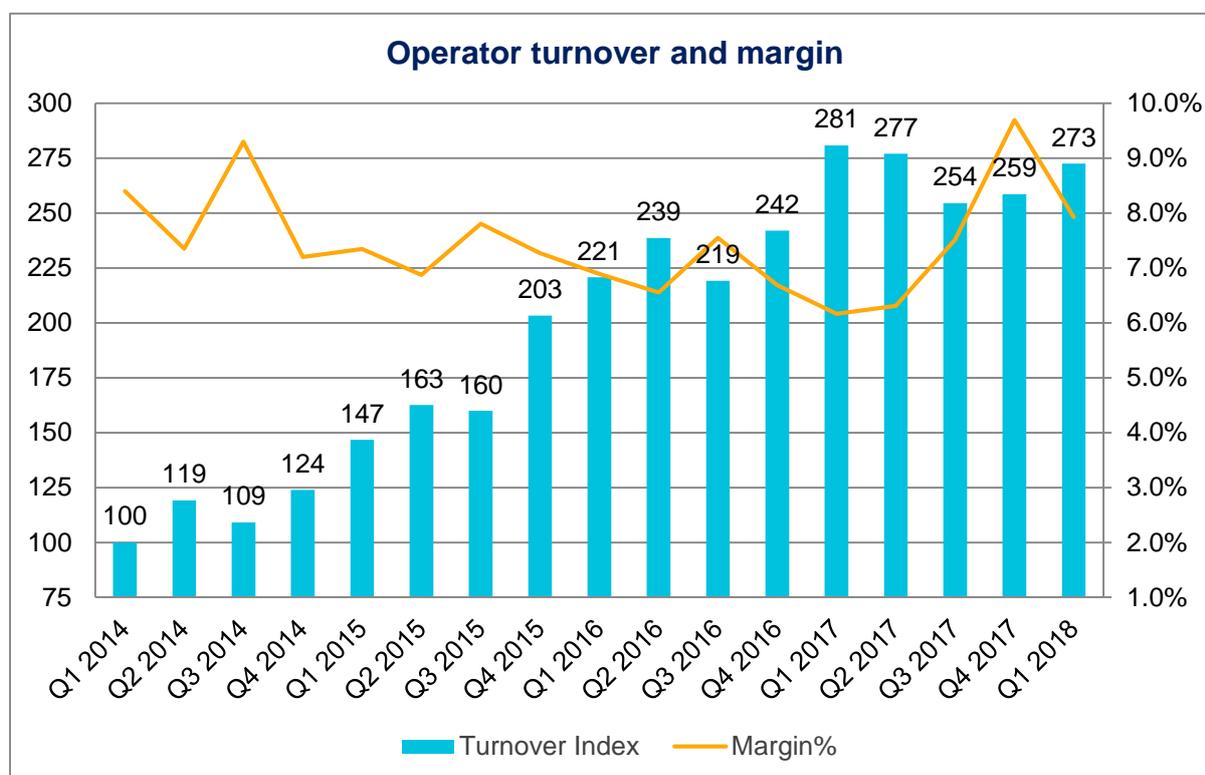
The net effect of the above factors was a €2.2 million increase in quarterly revenue year on year.

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



Operator trading analysis

In the interest of commercial sensitivity, 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 2014 and also illustrates Kambi's operators' quarterly trading margin.



Operator turnover for the first quarter of 2018 was 273. The operator trading margin for the quarter was 7.9%, well above the normalised levels we expect to see over the long-term. The strong operator trading margin in Q4 2017 had a negative impact on the level of turnover placed with our operators, with Q1 2018 seeing a slight increase in turnover, however, there is still a lag time between margins decreasing and turnover picking up to previous levels.

At Kambi, we aim for the optimal trading margin to drive turnover growth for our operators, in order to maximise their financial performance both short-term and long-term. The trading margin fluctuates over time mainly due to the outcome of sporting events with the highest betting volumes and value, such as the major football leagues, having a big impact on the average margin each quarter. Kambi currently guides on an average long-term trading margin of between 6.5 – 7.0% and continues to monitor this closely.

Currency effects

Kambi's principal currency is the Euro, which is also the reporting currency. However, we have both cost and revenue in certain other currencies, such as SEK, NOK and GBP. SEK decreased significantly in value during Q1 2018, which impacted both Kambi's SEK costs, and SEK derived revenues.

Operating expenses

Operating expenses are a combination of activity-related costs and fixed costs; the main expenses are salaries, office costs, live information feeds, consultant costs and amortisation. Operating expenses for the first quarter of 2018 were €14.4 (12.9) million.

Staff costs have increased from Q1 2017 due to an increase in headcount from the expansion of staff in trading and product development, allowing us to continually improve and expand our technical expertise and Sportsbook product. This is in line with our communicated strategy of investing in the future to ensure we maintain our technical and market leadership.

Total operating expenses have increased by €0.4m when compared to Q4 2017, as anticipated.

Total operating expenses are anticipated to increase during Q2 2018 by 3 - 5% compared to Q1 2018, as the business continues to grow according to the business plan and operator needs. This increase is driven by our commitment to developing the leading Sportsbook on the market.

Operating profit

Operating profit for the first quarter of 2018 was €2.0 (1.4) million, with a margin of 12% (10%).

Capitalised development costs

In the first quarter of 2018, development expenditure of €2.1 (2.1) million was capitalised. These capitalised development costs are amortised over three years, starting in the year the costs are incurred. The amortisation charge this quarter was €2.0 (1.6) million.

Profit before tax

Profit before tax for the first quarter of 2018 was €1.8 (1.3) million.

Taxation

The tax expense for the first quarter of 2018 was €0.3 (0.2) million.

Profit after tax

Profit after tax for the first quarter of 2018 was €1.5 (1.1) million.

Financial position and cash flow

The net cash position at 31 March 2018 was €28.9 (23.8) million.

Cash flow from operating and investing activities (excluding working capital) amounted to €0.6 (0.8) million for the first quarter of 2018. Trade and other receivables at 31 March 2018 were €11.9 (12.6) million. This includes two months of invoices to most of Kambi's operators, due to the timing of the issue of invoices at the end of each calendar month. The investment in Virtus Sports impacted the cash flow by €0.6m in the quarter.

Personnel

Kambi had 620 (571) employees equivalent to 611 (553) full time employees at 31 March 2018, across offices in Malta, Bucharest, London, Manila, Stockholm and Sydney.

Main shareholders

The six largest shareholders as at 31 March 2018:

<i>Name</i>	<i>Shares</i>	<i>% of total shares</i>
Veralda Investment Ltd	7,531,710	25.09
Bodenholm Master	2,993,765	9.97
Swedbank Robur Fonder	2,402,414	8.00
Keel Capital	2,330,004	7.76
Fidelity Nordic Fund	1,462,611	4.87
Andra AP-fonden	1,406,333	4.69

Nomination Committee

The Nomination Committee reflects 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:

- Lars Stugemo, Chairman of the Board of Kambi Group plc
- Anders Ström, Veralda Investment Ltd
- Evert Carlsson, Swedbank Robur Fonder
- Per Johansson, Bodenholm Capital
- Mathias Svensson, Keel Capital

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

31 May 2018	AGM
25 July 2018	Q2 report
26 October 2018	Q3 report

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About Kambi

Kambi Group plc is a B2B supplier of managed sports betting services on a proprietary software platform, providing premium turnkey sports betting services to gaming operators. Kambi's product encompasses a broad offering from front end through to odds compiling and risk management. The company's current coverage includes more than 200,000 live betting events and 325,000 pre-match events per year covering 65 different sports from all over the world. Kambi utilises a best of breed security approach. Kambi is a member of WLA, EL, Cibelae and is eCOGRA and ISO 27001 certified. Kambi Group plc is listed on First North at Nasdaq Stockholm under the symbol "KAMBI". The Company's Certified Advisor is Redeye AB.

Legal disclaimer

Kambi does not give any forecasts. Certain statements in this report are forward-looking and the actual outcomes may be materially different. 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, the Swedish Securities Market Act and rules for companies listed on the First North at Nasdaq Stockholm.

The information in this report was sent for publication on Wednesday, 25th April 2018 at 07:45 CET by CEO Kristian Nylén.

CONSOLIDATED INCOME STATEMENT
€ '000

	Q1 2018	Q1 2017	Jan - Dec 2017
Revenue	16,385	14,246	62,066
Staff costs	-6,280	-5,369	-24,121
Amortisation	-1,996	-1,572	-6,700
Other operating expenses	-6,150	-5,927	-23,552
Profit from operations	1,959	1,378	7,693
Investment income	-	4	9
Finance costs	-115	-78	-317
Profit before tax	1,844	1,304	7,385
Income tax	-299	-220	-1,483
Profit after tax	1,545	1,084	5,902

**CONSOLIDATED STATEMENT OF
 COMPREHENSIVE**
INCOME
€ '000

	Q1 2018	Q1 2017	Jan - Dec 2017
Profit after tax for the period	1,545	1,084	5,902
Other comprehensive income:			
Currency translation adjustments taken to equity	-180	85	-594
Actuarial loss on employee defined benefit scheme	-	-	-
Comprehensive income for the period	1,365	1,169	5,308

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
€ '000

	31 Mar 2018	31 Mar 2017	31 Dec 2017
ASSETS			
<i>Non-current assets</i>			
Intangible assets	11,695	10,551	11,428
Investment in associate	569	-	-
Property, plant and equipment	3,730	3,812	3,883
Deferred tax assets	1,510	1,322	1,504
	17,504	15,685	16,815
<i>Current assets</i>			
Trade and other receivables	11,947	12,560	14,586
Cash and cash equivalents	36,288	31,112	34,303
	48,235	43,672	48,889
Total assets	65,739	59,357	65,704
EQUITY AND LIABILITIES			
<i>Capital and reserves</i>			
Share capital	90	89	90
Share premium	53,660	53,467	53,660
Other reserves	2,212	1,545	2,135
Currency translation reserve	-1,727	-868	-1,547
Retained earnings	-6,474	-12,837	-8,019
Total equity	47,761	41,396	46,319
<i>Non-current liabilities</i>			
Convertible bond	7,429	7,339	7,407
Other liabilities	60	52	61
Deferred tax liabilities	218	154	218
	7,707	7,545	7,686
<i>Current liabilities</i>			
Trade and other payables	9,199	8,914	10,222
Tax liabilities	1,072	1,502	1,477
	10,271	10,416	11,699
Total liabilities	17,978	17,961	19,385
Total equity and liabilities	65,739	59,357	65,704

CONSOLIDATED STATEMENT OF CASH FLOWS
€ '000

	Q1 2018	Q1 2017	Jan - Dec 2017
OPERATING ACTIVITIES			
Profit from operations	1,959	1,378	7,693
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	502	386	1,621
Amortisation of intangible assets	1,996	1,572	6,700
Share-based payment	77	59	318
Operating cash flows before movements in working capital	4,534	3,395	16,332
(Increase)/decrease in trade and other receivables	2,639	-3,421	-5,447
(Decrease)/increase in trade and other payables	-1,023	1,128	2,435
(Decrease)/increase in other liabilities	-	-	12
Cash flows from operating activities	6,150	1,102	13,332
Income taxes paid net of tax refunded	-664	-69	-1,157
Interest income received	-	-6	9
Net cash generated from operating activities	5,486	1,027	12,184
INVESTING ACTIVITIES			
Purchases of property, plant and equipment	-618	-438	-2,285
Development and acquisition costs of intangible assets	-2,107	-2,098	-8,224
Acquired assets - investment in associate	-569	-	-
Net cash used in investing activities	-3,294	-2,536	-10,509
FINANCING ACTIVITIES			
Proceeds from issue of new shares	-	194	387
Interest paid	-26	-	-248
Net cash used in financing activities	-26	194	139
Net increase in cash and cash equivalents	2,166	-1,315	1,814
Cash and cash equivalents at beginning of period	34,303	32,388	32,388
Effect of foreign exchange differences	-181	39	101
Cash and cash equivalents at end of period	36,288	31,112	34,303

**CONSOLIDATED STATEMENT OF CHANGES
 IN EQUITY**

€ '000

	Q1 2018	Q1 Jan - Dec 2017	2017
Opening balance at beginning of period	46,319	39,974	39,974
<i>Comprehensive income</i>			
Profit for the period	1,545	1,084	5,902
<i>Other comprehensive income:</i>			
Translation adjustment	-180	85	-594
Actuarial loss on employee defined benefits	-	-	-
	1,365	1,169	5,308
<i>Transactions with owners</i>			
Share options - value of employee services	77	59	318
Other (share premium)	-	194	388
Deferred tax on share options	-	-	331
	77	253	1,037
Closing balance at end of period	47,761	41,396	46,319

KEY RATIOS

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

	Q1 2018	Q1 2017	Jan - Dec 2017
Operator turnover as index of Q1 2014	273	281	n/a
Operating (EBIT) margin, %	12%	10%	12%
EBITDA (€ m)	4.5	3.3	16.0
EBITDA margin, %	27%	23%	26%
Equity/assets ratio, %	73%	70%	70%
Employees at period end	620	571	604
Earnings per share (€)	0.051	0.036	0.198
Fully diluted earnings per share (€)	0.050	0.035	0.192
Number of shares at period end	30,015,197	29,875,197	30,015,197
Fully diluted number of shares at period end	30,756,212	30,673,702	30,864,731
Average number of shares	30,015,197	29,808,197	29,878,197
Average number of fully diluted shares	30,810,472	30,508,129	30,735,270