

# Kambi Group plc

Q3 Report 2021

## Financial summary

- Revenue amounted to €41.6 (Q3 2020: 28.1) million for the third quarter of 2021 and €127.5 (2020: 70.8) million for the period January to September, an increase of 48% and 80% respectively
- Operating profit (EBIT) for the third quarter of 2021 was €14.7 (6.5) million, at a margin of 35.4% (23.3%), and €50.0 (10.0) million, at a margin of 39.2% (14.2%) for the period January to September
- Profit after tax amounted to €11.9 (5.1) million for the third quarter of 2021 and €40.3 (6.8) million for the period January to September
- Earnings per share for the third quarter of 2021 were €0.384 (0.164) and €1.302 (0.220) for the period January to September
- Cash flow from operating and investing activities (excluding working capital movements and acquisitions) amounted to €11.9 (6.9) million for the third quarter of 2021 and €39.9 (8.2) million for the period January to September

## Third quarter financial breakdown

€m	Q3 2021	Q3 2020	Change %	Jan-Sept 2021	Jan-Sept 2020	Change %	Jan-Dec 2020
Revenue	41.6	28.1	48%	127.5	70.8	80%	117.7
Operating profit	14.7	6.5	125%	50.0	10.0 <sup>[1]</sup>	398%	32.2 <sup>[1]</sup>
Operating margin	35.4%	23.3%		39.2%	14.2%		27.4%
Profit after tax	11.9	5.1	135%	40.3	6.8 <sup>[2]</sup>	495%	24.1 <sup>[2]</sup>
Cash flow <sup>[3]</sup>	11.9	6.9		39.9	8.2		28.7
Net cash	77.4	38.5		77.4	38.5		53.5
Earnings per share	€0.384	€0.164	134%	€1.302	€0.220	492%	€0.781
Fully diluted earnings per share	€0.377	€0.160	136%	€1.273	€0.217	487%	€0.763

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

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

<sup>[3]</sup> Cash flow from operating and investing activities excluding movements in working capital and acquisitions

## Key highlights

- Group revenue of €41.6 million, a 48% year-on-year increase, taking revenue for the first nine months of the year to €127.5 million, eclipsing the total for the whole of 2020
- Acquired esports data and odds provider Abios, strengthening Kambi's technology capability and transforming Kambi into a leading supplier of esports products and services
- Expanded partner network with signings of Island Luck in The Bahamas and BetCity in the Netherlands
- Continued expansion with on average one partner launch per week, including going live online on day one in Arizona, the 15th state in which Kambi has launched

## CEO comment



*"I'm pleased to report another excellent quarter for Kambi, with strong financial results against tough 2020 comparables, which is a testament to our robust business model and the hard work of our staff across the world. Kambi Q3 revenue was up 48% year-on-year, operating margin was once again strong at 35% and we continue to be highly cash generative. Excluding DraftKings, operator turnover was up 10% year-on-year, highlighting the underlying growth in the business.*

*We had a strong start to the new NFL season, which kicked off on 9 September, with our platform outperforming the competition and our market-leading Bet Builder product engaging a large number of bettors and returning higher average operator trading margin. Furthermore, revenue in Q3 was boosted by our continued US expansion, including day one launches in Arizona, the 15th state in which Kambi has launched. In total, Kambi completed approximately one launch per week on average throughout the quarter.*

*As we saw in Q3, M&A remains an ongoing trend in this industry, with the number of transactions featuring sports betting and gaming assets on the rise due to a growing appetite to invest in companies with highly sought-after technology. This illustrates the inherent value in proven businesses and supports a strong belief in future growth prospects in regulated markets across the world.*

*On the subject of M&A, I was delighted to announce our acquisition of esports data and odds provider Abios during the quarter. We believe Abios is a great fit for Kambi, and its technology and expertise will enable us to create a first-class esports product that will diversify our revenue streams by capitalising on the opportunities presented by this fast-growing vertical. The acquisition is also in line with our longer-term strategy to further modularise our platform and, with a strong balance sheet, we remain in a good position to explore additional acquisition opportunities in the future.*

*As ever, Kambi is committed to creating the world's leading sportsbook and we have spent more than a decade focused exclusively on the sports betting vertical, developing a core product that is near impossible to replicate. Whether it's our ability to offer a great betting experience, being ahead of the curve in terms of regulation and compliance or having a wealth of network data at hand to effectively power the engine, Kambi has both the technology and expertise in place to deliver long-term success for our partners.*

*Of course, during the quarter we learned of Penn National Gaming's decision to acquire theScore, a Canadian sports media company which owns a player account management system and plans to develop its own sportsbook. It's incredibly difficult, as well as costly, to build, maintain, and continue to develop a first-class sportsbook, as we've seen with unsuccessful efforts of others in the past. In the meantime, we'll continue to support their growth with our fantastic platform and service we have built over many years, which remains very much of interest to our growing list of prospective partners.*

*In summary, we've performed well, and the future looks bright. We currently have a sales pipeline as strong and varied as I've known it. As the global trend of regulation continues, we are in a great position to capitalise on future opportunities as and when they arise, and we have announced the implementation of a share buyback scheme.*

*Many of us at Kambi have been in this industry for more than two decades, during which time we've seen the sports betting market change markedly. This change is reflected in the evolution of Kambi, where we have built a business that thrives in regulated market conditions, grown to become a global leader, and partnered with major brands across the globe, many entering the space for the first time. This experience means we know what it takes to succeed and I am therefore excited by what the coming years hold for Kambi."*

## Q3 Highlights

### Trading update

In Q3, the Kambi Operator Turnover Index increased by 10% when removing the impact of DraftKings from both Q3 2020 and Q3 2021. This growth occurred in spite of the pandemic impacts on last year's sporting calendar, which saw many delayed sports and leagues resume during Q3 2020. The Index amounted to 573, with Kambi revenue up 48%. Q3 operator trading margin was 9.0%.

The American football season resumed in September with operator turnover across the NFL and college games on par with Q3 2020, even when accounting for the DraftKings migration. This turnover can be partly attributed to the continued expansion of US-facing partners, including Rush Street Interactive and Churchill Downs.

NFL turnover was boosted by the launch of Kambi's market-leading American football Bet Builder product. Approximately 40% of pre-match NFL bettors used this functionality to place their combination bets, amounting to c.20% of all pre-match bets placed. The product also returned a higher rate of operator trading margin than the average, contributing to Kambi's decision to raise its 12-month guidance to 8-9%. These same players were also more likely to place in-game wagers, highlighting the product's positive impact on player engagement, which continues to grow week-on-week.

Operator turnover for soccer was down marginally year-on-year, predominantly due to pandemic impacts in Q3 2020 which saw many domestic soccer leagues, including those in England and Italy, as well as the culmination of the Champions League, play out their delayed seasons and commence their new seasons with a reduced break in between.

### Commercial updates

#### *Kambi acquires esports data and odds provider Abios*

In August, Kambi completed the acquisition of leading esports B2B supplier, Abios, transforming Kambi into a top-tier esports provider and enhancing its technology and data management capability.

Abios provides data, content, odds and visualisation services to industry operators including Kindred Group, LeoVegas Group and Pinnacle Sports for esports betting purposes, as well as major technology companies such as Microsoft for the publication of live scores and other esports updates. Abios' services are delivered by approximately 40 staff members based in Stockholm and Manila.

Abios' success to-date has been driven by its in-house data management and advanced technology, as well as its deep knowledge and passion for esports. The combination of these valuable capabilities will enable Kambi to offer a best-in-class esports betting product, apply Abios' technology and expertise to other areas of the business, and expedite Abios' growth plans.

The acquisition, which was comprised of an initial consideration of SEK150 million paid in cash with up to SEK120 million to be paid in earnouts, is fully aligned with Kambi's strategy to integrate specialised high-tech trading units into its modularised platform. Abios' esports betting product, developed in conjunction with Kambi, will be made available to Kambi partners, as well as non-Kambi partners, via Kambi's trading and risk module.

### ***New partner signings***

In August, Kambi increased its Americas reach through a partnership with Island Luck. Established in 2009, Island Luck is licensed by the Gaming Board for The Bahamas and is the largest gaming company in the country, offering online sports betting, casino and lottery throughout the islands. Island Luck will be transitioning to the Kambi sportsbook from its current technology as it looks to extend its leadership position in the market.

In late September, Kambi signed a partnership agreement with BetEnt, the operator of new Netherlands-facing brand BetCity.nl. BetEnt was among the first group of operators to be awarded a licence by the Netherlands' gaming regulator and launched with its Kambi sportsbook on the first day of the newly regulated market being active (2 October).

### ***Partner launches***

In Q3, Kambi averaged approximately one partner launch per week, including the launch of Penn National Gaming's Barstool Sportsbook app across five US states: Colorado, Virginia, New Jersey, Tennessee and Arizona. In Arizona, Penn National Gaming was among the first operators to launch on day one of the market going live, along with Kindred's Unibet sportsbook, also supported by Kambi. Kambi also assisted the Arizona launch of Churchill Downs' TwinSpires sportsbook in the days that followed the opening of the market. Other US online launches during the quarter included Kindred's debut in Iowa and Parx's entry into the Michigan market.

Kambi also completed two retail partner launches in the US, with an on-property book at Penn National Gaming's new Hollywood Casino York property in Pennsylvania and Churchill Downs' sportsbook in partnership with the Tonto Apache Tribe's Mazatzal Casino in Arizona.

In Europe, Kambi and the Belgian National Lottery (BNL) began the roll-out of the operator's retail Scoore sportsbook across the country, having previously launched the online sportsbook ahead of the Euro 2020 championship in Q2. BNL operates more than 300 retail stores across Belgium and by the close of Q3 had 33 properties up and running with Kambi. The retail roll-out has continued into Q4, where BNL is now live with sports betting in approximately 80 stores.

### ***Partner update***

In August, Penn National Gaming (PNG) announced it had agreed to acquire Score Media Group (SMG), a leading Canadian sports media company focused on live sports scores and content. SMG recently developed an in-house player account management platform and plans to develop a sportsbook technology platform, which PNG intends to leverage once completed. This announcement has no impact on the contractual agreement between Kambi and PNG and therefore Kambi will not speculate on how or when PNG intends to move forward with its plans. Based on the official data reported in the US, PNG comprised 5 – 10% of Kambi's total revenue for the quarter.

## Key strategic pillars

### *Basis for future success*

At its Capital Markets Day in June, Kambi outlined four key strategic pillars which will provide the basis for its future success. Below are examples related to these strategic pillars and the progress Kambi made in Q3 to support its long-term ambitions.

#### **1. Technically advanced core platform to enable growth – delivering regulatory, financial and technical security and stability**

In September, Kambi launched its enhanced American football combinability feature, Bet Builder, which, as detailed in the Q2 2021 report, provides players with the ability to combine main and player prop bets within the same game and across multiple games and sports. While the functionality to combine bets within the same game is widely available among tier-one operators, predominantly through third-party suppliers, the ability to combine multiple selections across more than one game has yet to be offered by competitors across the United States, providing Kambi partners with a significant product and competitive edge. The launch of this in-house developed Bet Builder product has been an instant success with take-up rising week-on-week. After only three weeks of the NFL season, approximately 40% of those who placed a wager on NFL had also placed at least one bet combination using this new feature, with more than a third of Bet Builder bets involving more than one game. As Kambi has developed this combinability in-house within its technically advanced core platform, it will further strengthen Bet Builder through the addition of more markets, leagues and sports, with college football to be added imminently.

#### **2. Differentiation and empowerment – enabling a broad range of partners to take control where it matters most and express their respective brands**

As the sports betting industry matures, a greater variety of companies are entering the market, therefore providing operators with the ability to differentiate and express their unique brand is crucial to their success. This differentiation capability can manifest itself in many ways, and Kambi was pleased to debut a new betting terminal at the recent G2E exhibition in Las Vegas. Bar-top terminals enable players to enjoy their sports betting experience while watching sports at the bar of their sportsbook venue. Traditionally, casino sportsbook bars in the US are fitted with bar-top terminals that offer digital card games such as poker. Kambi's unique bar-top sports betting terminals will enable bettors to enjoy the thrill of sports betting, such as in-play wagering, from the comfort of their barstool, with no need to visit a kiosk or a counter to place their bets. The launch of bar-top terminals, which can be configured and branded to meet individual partner requirements, further strengthens Kambi's retail product suite.

#### **3. Power of the network – leveraging unique global network data to enhance the Kambi product and service for all**

Automation and artificial intelligence have the potential to deliver great value to Kambi and its partners when applied to the right areas of the sportsbook and as a supplement to human expertise. Following a period of development and testing, Kambi has released functionality which leverages available data to compile and release odds for soccer matches automatically. During the quarter, more than 1,100 games across 20 low-profile leagues were priced and released for betting with zero human interaction. To further support the trading team, an auto-suspend function programmed to leverage Kambi's network data to identify and remove potential suboptimal odds availability has been integrated. The odds automation tool has enabled Kambi to consistently open markets across these leagues ahead of the competition, leading to increased turnover. Kambi anticipates several hundred lower profile soccer leagues will be priced automatically during 2022, enabling the transfer of human trading resources to higher profile leagues where sports knowledge and odds compiling skills can deliver a greater edge.

#### **4. Highly scalable business model – signing and launching new partners in a uniquely cost-efficient manner**

In Q3, Kambi and partner Belgian National Lottery commenced the retail roll-out of the operator's sportsbook across the country. During the quarter, Kambi supported the launch of 33 retail sportsbooks, and has since added approximately 50 further outlets, taking the total to c.80. In order to support partners during a period of travel restrictions, Kambi has finetuned its retail launch processes, making them much more refined, cost efficient and environmentally friendly to the point where Kambi's role in many retail launches can be carried out entirely remotely. Kambi has worked closely with the Belgian National Lottery and its partners to conduct every launch completed thus far without having to travel to be present on site and aims to continue this roll-out remotely, where possible, across the remainder of the launches.

### **Events after Q3**

#### **Partner launches**

Earlier this month, Kambi supported Rush Street Interactive (RSI) with its online and retail launches in the state of Connecticut, marking the 16th US state in which Kambi has launched. RSI won a competitive tender to partner with the Connecticut Lottery, which operates one of three available licences in the state. Furthermore, RSI will offer its sportsbook via 15 retail locations, giving it near exclusivity on-property, with retail sports betting only available elsewhere at two of the state's casinos. In addition, last week Kambi supported RSI with its online launch in Arizona.

Kambi also launched online and in retail with Racing & Wagering Western Australia (RWVA) via the operator's TABtouch-branded sportsbook. Kambi signed with RWVA in Q1 2021, with the operator determined to upgrade its sportsbook offering across all channels. RWVA is the state-run, self-funded racing authority for Western Australia and distributes the profits gained through its wagering business to support the growth and competitiveness of the state's racing industry.

As detailed earlier in the report, Kambi also launched with BetEnt-owned brand BetCity.nl in the recently regulated Dutch market. With support from Kambi, BetCity.nl was able to launch on day one of the market going live and ahead of other licensees. Kambi also continues to progress with the retail roll-out of the Belgian National Lottery, which is now live in approximately 80 retail stores.

#### **OECD tax rates**

In early October, a global agreement was reached in principle which would ultimately result in changes to minimum tax rates. These measures are designed to apply to the largest multi-national companies and have high revenue thresholds, which Kambi does not currently meet. The details of how this would impact each jurisdiction have not been released at this stage. Kambi's effective tax rate for 2020 was 22.5%, comprising of withholding tax and 18.4% corporation tax. We will continue to monitor the evolving tax landscape accordingly.

### ***The Netherlands***

As part of the adoption of a new licensing regime in the Netherlands, the regulator issued its first set of licenses, giving a total of 10 operators access to the market from 1 October. A number of Kambi partners were unable to obtain a licence during this first round, including Kindred Group, LeoVegas and Mr Green, although these operators are confident of obtaining a licence in the near-term. Kambi partner BetEnt, however, was among the first 10 operators to receive a licence and has made an encouraging start to its operations in the market.

### **Share buybacks**

The Board of Kambi Group plc has decided to start exercising the buyback mandate which was received at the Extraordinary General Meeting on 23 June 2021. The buyback programme will run between 27 October 2021 and 10 November 2021 and amounts to a total of up to €12 million. Kambi has entered into an agreement with Carnegie Investment Bank AB (Carnegie) to conduct the share repurchases on its behalf.

The objective of the buyback is to achieve added value for Kambi's shareholders. The shares purchased may be used for an acquisition or upon exercise of share options by employees under Share Option Plans.

### ***Industry recognition***

In October, Kambi's expertise in the fields of compliance and sporting integrity was recognised by its industry peers, winning two prestigious awards at the VIXIO Gambling Compliance Global Regulatory Awards for In-house Counsel/Legal Team of the Year and Outstanding Contribution to Sports Betting Integrity.



## Regulatory update

Below, we provide the most relevant regulatory updates on markets which may have an impact on our operations and total addressable market.

### *United States*

Following a request for applications, the submission window to apply for a **New York** State online sports betting licence closed in August, with Kambi a lead platform bidder on two separate consortium bids. The New York State Gaming Commission recently published the proposed tax rates of the winning bid, requesting remaining applicable bids to meet those rates in order to be considered for a licence. The announcement of the successful bid(s) will take place in either December 2021 or January 2022.

A coalition of operators filed a sports betting ballot proposal in **California** which pledged to spend \$100m to qualify their initiative for the November 2022 ballot and have it passed by voters, with the hope of launching regulated sports betting in California by 2022/23. The proposal would allow only Indian tribes or qualified sportsbook operators partnering with tribal casinos to offer online wagering in the state.

In **Florida**, despite federal approval of the Seminole Compact with the state of Florida, commercial gaming interests continue to challenge the compact in court. The Federal Court has scheduled a hearing for 5 November, while several other operators are also leading an effort to put an initiative on the November 2022 ballot, which seeks to authorise commercial sportsbook companies to operate online sports betting.

The **Louisiana** Gaming Control Board issued its sports betting licences in mid-October. Each of the 20 licences can have up to two online sports betting skins, and the Board has confirmed that although it is working on enabling an online launch, it will come after a retail launch. Therefore, there is an expectation that retail may be able to launch in the coming weeks, while the online market will likely fall to 2022. This licensing process is for commercial entities only and therefore does not include tribal gaming operators, one of which launched retail sports betting in early October.

In **Massachusetts**, a bill was passed to permit retail and mobile sports betting which would allow betting on both professional and college games. The bill is currently being considered by a Senate committee and once reviewed, it will progress to the Senate which ends its legislative session in November. If the bill is not passed, it will carry over into 2022.

**Ohio** lawmakers have returned to session and a conference committee has been tasked with negotiating a final sports betting bill. The amended proposal in the current bill allows for 20 mobile betting licences and 40 for retail sportsbooks, and the language also delays the start of sports betting in Ohio until 1 April 2022.

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

State	CDI		Four Winds		Kindred		Parx		PNG		RSI		Seneca		888	
	Retail	Online	Retail	Online	Retail	Online	Retail	Online	Retail	Online	Retail	Online	Retail	Online	Retail	Online
Arizona	✓	✓				✓				✓		✓				
Arkansas	✓															
Colorado	✓	✓							✓	✓		✓				
Connecticut											✓	✓				
Illinois									✓	✓	✓	✓				
Indiana	✓	✓				✓			✓	✓	✓	✓				
Iowa						✓			✓			✓				
Michigan	✓	✓	✓	✓			✓	✓	✓	✓	✓	✓				
Mississippi	✓								✓							
New Jersey						✓	✓			✓		✓				✓
New York											✓		✓			
Pennsylvania	✓	✓			✓	✓	✓	✓	✓	✓	✓	✓				
Tennessee		✓								✓						
Virginia						✓				✓		✓				
West Virginia									✓							

### Americas (non-US)

In **Canada**, legalisation of single-event sports wagering came into force in August, allowing each province to create its own regulatory and licensed market. Lotteries in several provinces already included the product in their portfolio. Ontario is the only province that has taken active steps to open a market to private operators and the application process formally began in September.

### Europe

In the **Netherlands**, the legal online gambling market launched on 1 October 2021. The regulator had previously announced the 10 companies that had received a licence out of a total of 29 that had applied. However, the regulator did not reveal how many licences have been rejected or are still under review, and several operators, which include Kambi partners, have publicly stated they had ceased offering services to Dutch players and will submit a licence application later this year.

## Financial review

### Revenue

Revenue represents fees received for sports betting services rendered to Kambi's operators. In the third quarter of 2021, revenue was €41.6 (Q3 2020: 28.1) million, an increase of 48%. Revenue for the first three quarters of 2021 was €127.5 (Q3 2020: 70.8) million, an increase of 80%. 81% (80%) of revenue in Q3 was derived from locally regulated markets. Based on the official data reported in the US, DraftKings comprised approximately 30% of Kambi's total revenue for the quarter.

Operator turnover increased 10% year-on-year when removing the impact of DraftKings from both Q3 2020 and Q3 2021. The actual operator turnover decreased by 14% during the same period due to the planned DraftKings migration.

Operator trading margin was 9.0% (7.2%). The operator trading margin for the first three quarters of 2021 was 8.9% (8.1%).

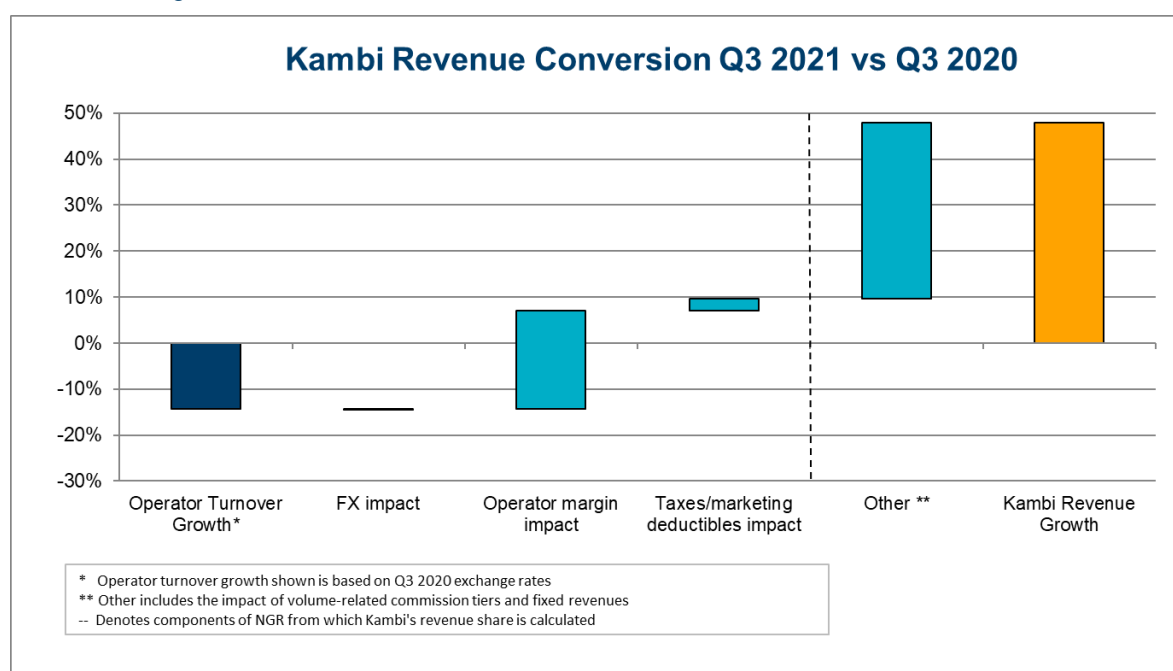
Kambi charges its operators a fee based on a number of variables including fixed fees, the number of live events offered and commission based on a revenue share of operators' Gross Gaming Revenue (GGR) less deductible costs, such as certain capped marketing incentives and tax (i.e. NGR, as shown in the 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 per contract terms, any sports betting revenue generated by DraftKings prior to 30 September 2021, either via Kambi or following a migration away from Kambi, was subject to the same level of revenue share payments and is reflected within the 'other' category in the below chart.

The net effect of the above factors was a €13.5 million increase in quarterly revenue year-on-year.

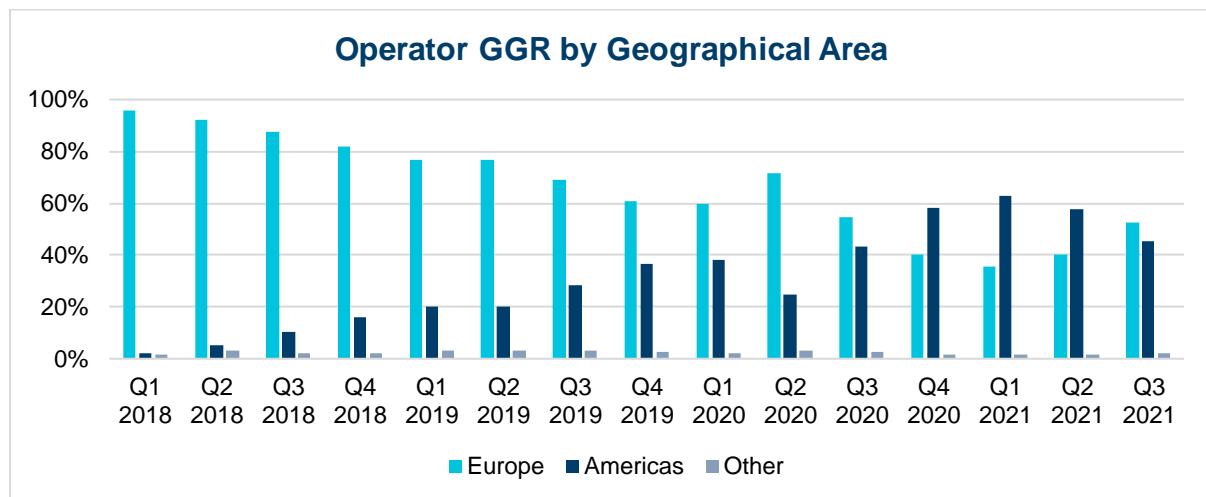
Revenue growth excluding DraftKings in both Q3 2020 and Q3 2021 was 22%.

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



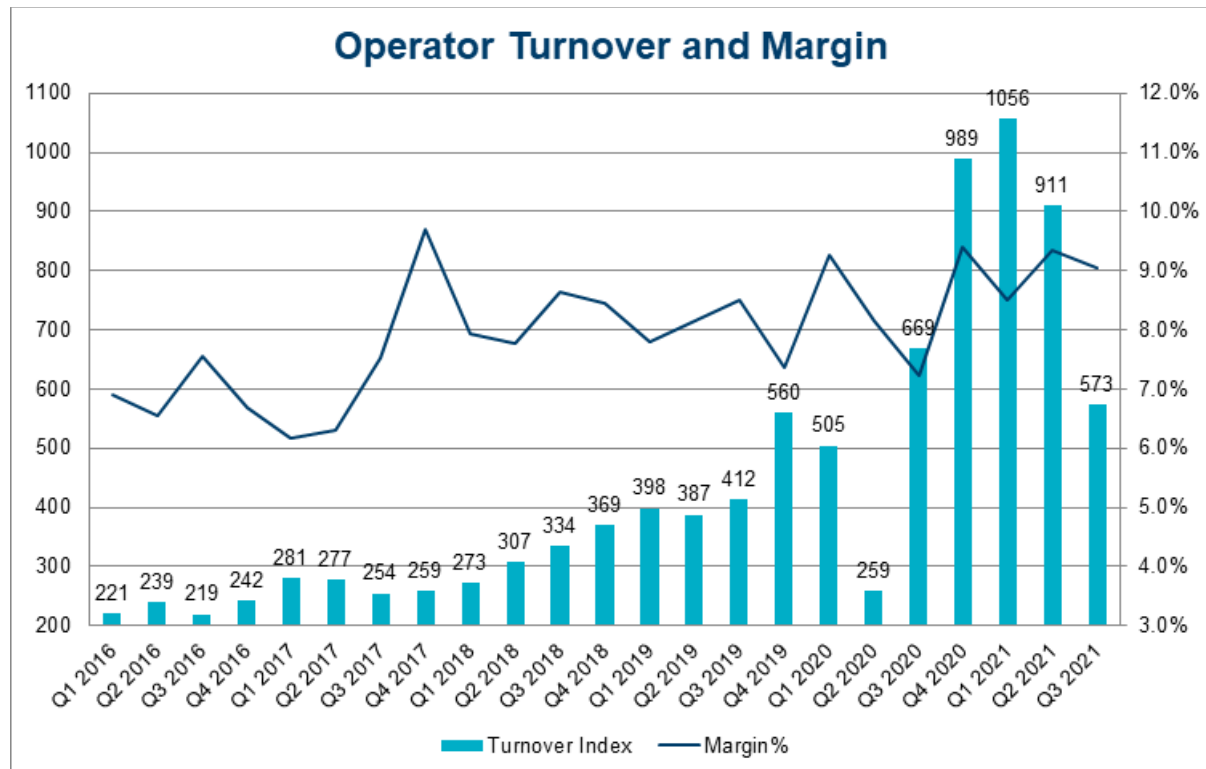
**Geographical GGR analysis**

Kambi’s operators’ GGR derives from numerous markets globally, which can be split into three areas of focus for the company: Europe, Kambi’s historical core market; the Americas; and the Rest of the World, being those other opportunities that may arise outside of Kambi’s two main focal areas. Americas contributed 45% (43%) while Europe increased from prior quarter to 53% (55%) of total operator GGR in Q3.



## 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 third quarter of 2021 was 573, a decrease of 14% versus Q3 2020. As previously communicated, this is due to the DraftKings migration not being reflected within the Turnover Index for Q3 2021.

### Operator trading margin

The operator trading margin for the quarter was 9.0% (Q3 2020: 7.2%). The operator trading margin for the past 12 month period has been 9.1%.

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, Kambi expects the operator trading margin for the coming 12 month period to be in the range of 8.0 – 9.0%. This represents a slightly higher expected range than the previous guidance of 7.0 – 8.5% and is driven by increased popularity for higher margin products such as in-event combinations.

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 be subject to 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.

### 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:

- Product development
- Channel enhancements
- Market expansion
- New customer integrations

### Capitalised development costs

In the third quarter of 2021, development expenditure of €4.6 (3.6) million was capitalised with €14.1 (11.8) million capitalised in the first three quarters of 2021. These capitalised development costs are amortised over three years, starting in the year the costs are incurred. The amortisation charge this quarter was €4.0 (3.2) million and for the first three quarters of 2021 was €11.3 (9.1) 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 third quarter of 2021 were €26.9 (21.5) million, and €77.6 (60.7) million for the first three quarters of 2021. The operating expenses for the third quarter of 2020 were significantly reduced due to cost saving initiatives implemented as a result of COVID-19.

Total operating expenses are expected to be in the range of €26.5 – 27.5 million in Q4 2021 and therefore in the range of €104.1 – 105.1 million for the full year 2021.

### Operating profit

Operating profit for the third quarter of 2021 was €14.7 (6.5) million, with a margin of 35.4% (23.3%), and €50.0 (10.0) million for the first three quarters of 2021, with a margin of 39.2% (14.2%).

### Profit before tax

Profit before tax for the third quarter of 2021 was €14.4 (6.4) million. Profit before tax for the first three quarters of 2021 was €49.4 (9.0) million.

### Taxation

The tax expense comprises corporation tax and withholding tax. The tax expense for the third quarter of 2021 was €2.6 (1.3) million, including an effective corporation tax rate of 16%. The tax expense for the first three quarters of 2021 was €9.1 (2.2) million, including an effective corporation tax rate of 16%.

### Profit after tax

Profit after tax for the third quarter of 2021 was €11.9 (5.1) million. Profit after tax for the first three quarters of 2021 was €40.3 (6.8) million.

### Purchase price allocation and accounting

The preliminary acquisition accounting of Abios under IFRS 3 resulted in the recognition of specific identifiable Intangible assets (comprising customer contracts, brands, databases and software development) of €6.0 million, which will be amortised over 3 years, Goodwill of €17.7 million, deferred tax liabilities of €1.2 million and contingent consideration of €7.8 million in relation to earnouts of up to SEK 120m based on product development milestones and the future revenue performance of Abios.

The cash outflow from the initial consideration, net of cash acquired, was €14.8 million.

### Financial position and cash flow

The net cash position at 30 September 2021 was €77.4 (38.5) million.

Cash flow from operating and investing activities (excluding working capital and acquisitions) amounted to €11.9 (6.9) million for the third quarter of 2021 and €39.9 (8.2) million for the first three quarters of 2021.

Net cash flow was a decrease of €7.0 (€0.4 decrease) million for the quarter, as a result of the Abios acquisition.

### Personnel

Kambi had 988 (860) employees equivalent to 974 (850) full time employees at 30 September 2021, across offices in Malta (headquarters), Australia, Philippines, Romania, Sweden, the UK, and the United States. This includes staff taken on in the recent acquisition of Abios.

### 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

11 February 2022	Q4 2021 report
27 April 2022	Q1 2022 report
27 July 2022	Q2 2022 report
26 October 2022	Q3 2022 report

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### **About Kambi**

Kambi is a provider of premium sports betting services to licensed B2C gaming operators. 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 30-plus customers include ATG, Churchill Downs Incorporated, Kindred Group, LeoVegas, Penn National Gaming and Rush Street Interactive. Kambi employs more than 950 staff across offices in Malta (headquarters), Australia, Philippines, Romania, Sweden, the UK 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](mailto: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 27 October 2021 at 07:45 CEST by CEO Kristian Nylén.

**CONSOLIDATED INCOME STATEMENT**  
**€ '000**

	Q3 2021	Q3 2020	Jan - Sep 2021	Jan - Sep 2020	Jan - Dec 2020
<b>Revenue</b>	<b>41,555</b>	<b>28,098</b>	<b>127,534</b>	<b>70,760</b>	<b>117,685</b>
Staff costs	-13,139	-10,231	-39,112	-29,292	-43,063
Amortisation	-3,954	-3,211	-11,339	-9,118	-12,375
Data supplier costs	-3,514	-3,013	-9,974	-7,675	-10,803
Other operating expenses	-6,245	-5,094	-17,125	-14,642	-19,215
<b>Total operating expenses</b>	<b>-26,852</b>	<b>-21,549</b>	<b>-77,550</b>	<b>-60,727</b>	<b>-85,456</b>
<b>Profit from operations</b>	<b>14,703</b>	<b>6,549</b>	<b>49,984</b>	<b>10,033</b>	<b>32,229</b>
<i>Operating margin</i>	<i>35.4%</i>	<i>23.3%</i>	<i>39.2%</i>	<i>14.2%</i>	<i>27.4%</i>
Investment income	3	1	5	7	38
Finance costs	-260	-156	-590	-482	-652
<b>Profit before items affecting comparability</b>	<b>14,446</b>	<b>6,394</b>	<b>49,399</b>	<b>9,558</b>	<b>31,615</b>
Items affecting comparability <sup>1</sup>	-	-	-	-590	-590
<b>Profit before tax</b>	<b>14,446</b>	<b>6,394</b>	<b>49,399</b>	<b>8,968</b>	<b>31,025</b>
Income tax	-2,556	-1,335	-9,063	-2,186	-6,969
<b>Profit after tax</b>	<b>11,890</b>	<b>5,059</b>	<b>40,336</b>	<b>6,782</b>	<b>24,056</b>

<sup>1</sup> 2020: Bad debt expense in relation to National Lottery AD

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

	Q3 2021	Q3 2020	Jan - Sep 2021	Jan - Sep 2020	Jan - Dec 2020
<b>Profit after tax for the period</b>	<b>11,890</b>	<b>5,059</b>	<b>40,336</b>	<b>6,782</b>	<b>24,056</b>
Other comprehensive income:					
Currency translation adjustments taken to equity	27	-228	511	-1,229	-955
Actuarial gain/(loss) on employee defined benefits	-	-	-	-	-58
<b>Comprehensive income for the period</b>	<b>11,917</b>	<b>4,831</b>	<b>40,847</b>	<b>5,553</b>	<b>23,043</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**€ '000**

	30 Sep 2021	30 Sep 2020	31 Dec 2020
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	48,942	21,148	22,425
Property, plant and equipment	23,921	10,521	10,181
Deferred tax assets	6,579	3,226	6,500
	<b>79,442</b>	<b>34,895</b>	<b>39,106</b>
<b>Current assets</b>			
Trade and other receivables	37,808	27,544	36,632
Cash and cash equivalents	84,814	45,852	60,826
	<b>122,622</b>	<b>73,396</b>	<b>97,458</b>
<b>Total assets</b>	<b>202,064</b>	<b>108,291</b>	<b>136,564</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	93	92	92
Share premium	59,390	58,214	58,237
Other reserves	7,098	4,507	5,950
Currency translation reserve	-2,846	-3,631	-3,357
Retained earnings	77,429	19,819	37,093
<b>Total equity</b>	<b>141,164</b>	<b>79,001</b>	<b>98,015</b>
<b>Non-current liabilities</b>			
Convertible bond	7,389	7,332	7,345
Lease liabilities	14,011	3,743	3,537
Other liabilities	4,233	265	330
Deferred tax liabilities	2,456	278	1,219
	<b>28,089</b>	<b>11,618</b>	<b>12,431</b>
<b>Current liabilities</b>			
Trade and other payables	21,876	12,842	16,453
Lease liabilities	3,905	2,548	2,326
Tax liabilities	7,030	2,282	7,339
	<b>32,811</b>	<b>17,672</b>	<b>26,118</b>
<b>Total liabilities</b>	<b>60,900</b>	<b>29,290</b>	<b>38,549</b>
<b>Total equity and liabilities</b>	<b>202,064</b>	<b>108,291</b>	<b>136,564</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**€ '000**

	<b>Q3</b>	<b>Q3</b>	<b>Jan - Sep</b>	<b>Jan - Sep</b>	<b>Jan - Dec</b>
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2020</b>
<b>OPERATING ACTIVITIES</b>					
Profit from operations	14,703	6,549	49,984	10,033	32,229
<i>Adjustments for:</i>					
Depreciation of property, plant and equipment	1,729	1,287	4,485	3,754	5,079
Amortisation of intangible assets	3,954	3,211	11,339	9,118	12,375
Bad debt expense	-	-	-	-590	-590
Share-based payment	595	447	1,148	1,130	1,372
<b>Operating cash flows before movements in working capital</b>	<b>20,981</b>	<b>11,494</b>	<b>66,956</b>	<b>23,445</b>	<b>50,465</b>
(Increase)/decrease in trade and other receivables	-3,915	-8,344	-896	-5,550	-14,638
(Decrease)/increase in trade and other payables	-169	2,087	1,234	1,552	5,377
(Decrease)/increase in other liabilities	11	9	52	40	105
<b>Cash flows from operating activities</b>	<b>16,908</b>	<b>5,246</b>	<b>67,346</b>	<b>19,487</b>	<b>41,309</b>
Income taxes paid net of tax refunded	-2,217	-55	-9,315	-1,295	-2,759
Interest income received	-	-	5	6	38
<b>Net cash generated from operating activities</b>	<b>14,691</b>	<b>5,191</b>	<b>58,036</b>	<b>18,198</b>	<b>38,588</b>
<b>INVESTING ACTIVITIES</b>					
Purchases of property, plant and equipment	-2,338	-943	-3,715	-2,159	-2,575
Development costs of intangible assets	-4,575	-3,624	-14,106	-11,808	-16,459
Acquisition of subsidiary, net of cash acquired	-14,751	-	-14,751	-	-
<b>Net cash used in investing activities</b>	<b>-21,664</b>	<b>-4,567</b>	<b>-32,572</b>	<b>-13,967</b>	<b>-19,034</b>
<b>FINANCING ACTIVITIES</b>					
Proceeds from issue of new shares	968	163	1,577	174	197
Payment of lease liabilities	-963	-1,191	-2,978	-2,265	-2,989
Interest paid	-65	-33	-152	-341	-389
<b>Net cash generated/(used in) financing activities</b>	<b>-60</b>	<b>-1,061</b>	<b>-1,553</b>	<b>-2,432</b>	<b>-3,181</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>-7,033</b>	<b>-437</b>	<b>23,911</b>	<b>1,799</b>	<b>16,373</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>91,923</b>	<b>46,442</b>	<b>60,826</b>	<b>44,988</b>	<b>44,988</b>
Effect of foreign exchange differences	-76	-153	77	-935	-535
<b>Cash and cash equivalents at end of period</b>	<b>84,814</b>	<b>45,852</b>	<b>84,814</b>	<b>45,852</b>	<b>60,826</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

€ '000

	Q3 2021	Q3 2020	Jan - Sep 2021	Jan - Sep 2020	Jan - Dec 2020
<b>Opening balance at beginning of period</b>	127,684	73,558	98,015	71,743	71,743
<b>Comprehensive income</b>					
Profit for the period	11,890	5,059	40,336	6,782	24,056
<i>Other comprehensive income:</i>					
Translation adjustment	27	-228	511	-1,229	-955
Actuarial gain/(loss) on employee defined benefits	-	-	-	-	-58
	<b>11,917</b>	<b>4,831</b>	<b>40,847</b>	<b>5,553</b>	<b>23,043</b>
<b>Transactions with owners</b>					
Share options - value of employee services	595	447	1,148	1,130	1,372
Other	968	165	1,154	575	598
Tax on share options	-	-	-	-	1,259
	<b>1,563</b>	<b>612</b>	<b>2,302</b>	<b>1,705</b>	<b>3,229</b>
<b>Closing balance at end of period</b>	<b>141,164</b>	<b>79,001</b>	<b>141,164</b>	<b>79,001</b>	<b>98,015</b>

**KEY RATIOS**

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

	<b>Q3 2021</b>	<b>Q3 2020</b>	<b>Jan - Sep 2021</b>	<b>Jan - Sep 2020</b>	<b>Jan - Dec 2020</b>
Operator turnover <sup>1</sup> as index of Q1 2014	573	669	n/a	n/a	n/a
Operating (EBIT) <sup>2</sup> margin, %	35.4%	23.3%	39.2%	14.2%	27.4%
EBITDA <sup>2</sup> (€m)	20.4	11.0	65.8	22.9	49.7
EBITDA <sup>2</sup> margin, %	49.1%	39.3%	51.6%	32.4%	42.2%
Equity/assets ratio, %	69.9%	73.0%	69.9%	73.0%	71.8%
Employees at period end	988	860	988	860	878
Earnings per share (€)	0.384	0.164	1.302	0.220	0.781
Fully diluted earnings per share (€)	0.377	0.160	1.273	0.217	0.763
Number of shares at period end	31,058,797	30,952,697	31,058,797	30,952,697	30,954,697
Fully diluted number of shares at period end	32,299,781	31,075,181	32,299,781	31,075,181	32,070,681
Average number of shares	30,989,246	30,849,751	30,975,725	30,768,873	30,815,376
Average number of fully diluted shares	31,539,036	31,586,557	31,675,986	31,314,813	31,510,893

<sup>1</sup> Operator turnover is defined as total real money stakes placed with operators by end users

<sup>2</sup> Excluding items affecting comparability (2020: 590k bad debt expense)