

Kambi Group plc

Q4 Report 2023

“I am pleased with the strategic progress we made throughout 2023, as we continue to build a strong foundation for growth over the coming years”

Kristian Nylén, Kambi CEO and Co-founder

Financial summary

- Revenue amounted to €44.3 (Q4 2022: 57.8) million for the fourth quarter of 2023 and €173.3 (2022: 166.0) million for the period January to December of 2023
- Operating profit (EBIT excluding Items affecting comparability) for the fourth quarter of 2023 was €7.2 (18.7) million, at a margin of 16.1% (32.3%), and €20.0 (34.8) million, at a margin of 11.5% (20.9%) for the period January to December of 2023
- EBITA (acq)* for the fourth quarter of 2023 was €8.5 (20.5) million, at a margin of 19.2% (35.4%), and €25.2 (37.6) million, at a margin of 14.6% (22.7%), for the period January to December of 2023
- Cash flow (excluding working capital and M&A) amounted to €5.5 (17.9) million for the fourth quarter of 2023 and €15.0 (25.2) million for the period January to December of 2023
- Earnings per share for the fourth quarter of 2023 were €0.182 (0.491) and €0.488 (0.861) for the period January to December of 2023
- Kambi has decided to communicate revenue guidance for 2024. Kambi estimates revenue for the full year to be €170 – €180 million, for more information please see page 7.
- Kambi announced a share repurchase programme running from 5 December 2023 to 21 May 2024, up to a total of €2.8 million
- The 2024 AGM will be held on 21 May 2024. The Board proposes that no dividend is paid out.

Fourth quarter financial breakdown

€m	Q4 2023	Q4 2022	Change %	Jan-Dec 2023	Jan-Dec 2022	Change %
Revenue	44.3	57.8	-23%	173.3	166.0	4%
<i>Of which termination fee</i>	-	12.6		-	12.6	
<i>Revenue excluding termination fee</i>	44.3	45.2	-2%	173.3	153.4	13%
EBITDA	17.0	27.3	-38%	56.6	63.4	-11%
EBITA (acq)*	8.5	20.5	-59%	25.2	37.6	-33%
Operating profit (EBIT)	7.2	18.7	-62%	20.0	34.8	-43%
Operating (EBIT) margin	16.1%	32.3%		11.5%	20.9%	
Items affecting comparability	0.3	-		0.3	-	
Profit after tax	5.5	15.1	-63%	14.9	26.5	-44%
Cash flow (excluding working capital and M&A)	5.5	17.9	-69%	15.0	25.2	-41%
Net cash	50.5	53.3		50.5	53.3	
Earnings per share	€0.182	€0.491	-63%	€0.488	€0.861	-43%
Fully diluted earnings per share	€0.181	€0.489	-63%	€0.486	€0.856	-43%

*EBITA (acq) = Earnings before interest, taxation, Items affecting comparability and amortisation on acquired intangible assets

Key highlights

- Underlying turnover growth of 6% when excluding the impact from Penn Entertainment's (Penn) online migration
- Excluding the termination fee recorded in Q4 2022, revenue of €44.3 million represented a 2% decrease for the quarter and full year 2023 revenue of €173.3 million was a 13% increase against tough comparatives including the World Cup in Q4 2022 and the Penn online migration
- Entered into long-term sportsbook platform agreements with Svenska Spel and LiveScore Group to power their respective brands. These partnerships leverage established customer bases and revenue streams, with meaningful financial impact anticipated from H2 2024.
- Secured two additional European sportsbook partnerships, including a long-term deal with fast-growing Dutch online casino operator 711 and a multi-channel partnership with Bingoal to provide superior sports betting technology in Belgium and the Netherlands
- In November, Kambi Co-founder and member of the Board Anders Ström became Chair of the Board, succeeding Lars Stugemo
- In January, Kambi's CEO and Co-founder Kristian Nylén notified the Board of his intention to step down from his current position upon the appointment of a successor

CEO comment



"The final quarter of 2023 saw Kambi conclude a year of strong strategic progress, whilst navigating what remains a complex and challenging sports betting landscape. Revenue of €44.3 million in Q4 reflected a 2% year-on-year decline excluding the one-off termination fee from Penn recorded in Q4 2022, largely due to the loss of Penn's online revenue. On a full year basis revenue increased 13% to €173.3 million when excluding the termination fee.

As I look back on the year, I have two overriding takeaways, the first being I'm not satisfied with our financial performance. This performance was impacted by lower than anticipated revenue from Shape Games, smaller than expected revenue contributions from two of our largest partners and Bally's measured approach to marketing its sportsbook thus far. My second reflection is we made good progress in building the foundations that will ultimately lead to a much-improved financial performance in the future, giving me confidence we're on the right path for the long-term.

These foundations include the numerous partner signings and renewals made last year, headlined by the partnerships with Bally's Corporation, LiveScore Group and Svenska Spel, which we expect to deliver a meaningful revenue contribution from H2 2024. We also continue to work on our modularisation capability and believe with Abios, Shape Games and now Tzeract, the positive commercial conversations we're having with regards our strong product portfolio will increasingly bear fruit during the year ahead. On Shape Games, we recently took the decision to integrate it further into the business to make the most of the opportunities we see in combining the strengths of the Kambi and Shape Games UX teams. Meanwhile, another important element to financial performance is tight cost control, so it is pleasing today we can communicate a limited year-on-year cost increase for 2024. These are just some of the actions we have taken to put us in a stronger position moving forward.

Having said that, it is important to note that challenges do continue to exist, including a slower roll-out of newly regulated sports betting markets. The outlook in certain markets has not been as promising as previously anticipated, particularly in California where 2028 now appears to be a more realistic timeline for regulation. In Brazil, we welcome the long-awaited regulation of the country's sports betting market, but are also mindful that the transition to a fully licensed framework is unlikely before Q3 2024 and that new operators will face tough competition entering what is already a mature grey market with established sports betting brands.

Meanwhile, in January, I communicated to the market of my intention to step down as CEO in 2024 and a search to find my successor is now underway. I want to emphasise that our long-term strategic direction remains unchanged and I am pleased with the milestones we achieved as a business throughout 2023. While there has indeed been a slowdown in regulatory-driven opportunities, we remain very positive about the long-term trajectory of Kambi Group. Our resilience, strategic progress and commitment to product excellence have set us up well for the future and, as we move forward, we do so with great optimism for the journey ahead."

Update from the Chair

Anders Ström, who was appointed Chair of the Board in November 2023, provides the following update on appointing a successor to Kristian Nylén:

"Following the announcement regarding our CEO in January 2024, the Board of Kambi has initiated the process of seeking a successor. The search is progressing according to plan, with the aim to finalise an appointment prior to the summer period. In the meantime, the company's progress towards its long-term strategic objectives remains uninterrupted."

Q4 highlights

Trading update

In Q4, Kambi's Operator Turnover Index was 789, compared to 913 in Q4 2022, predominantly impacted by the migration of Penn's online business in July, an effect exacerbated by the busy US sporting calendar. When stripping out Penn's online contribution in Q4 2022, turnover was up 6% across the global network and up 18% in the Americas. Operator trading margin in Q4 was 8.3%, compared to 8.1% in the same period last year.

Soccer continued to lead the way in terms of turnover, with the fuller domestic soccer calendar this year making up for some, but not all, of the high-profile World Cup which took place in Q4 2022. Player-friendly results in October, particularly in some of the major European leagues, meant soccer margin was down year-on-year.

With the US sporting calendar in full swing during the quarter, recent product improvements in Bet Builder were evident with turnover on basketball Bet Builders, for example, up 35% year-on-year despite the Penn transition. NFL once again proved its popularity with bettors, with NFL games filling the top 20 spots for the highest turnover events of the quarter across Kambi's global partner network.

Partner agreements

As outlined in the Q3 report, Kambi secured two pivotal partnerships in the quarter with industry giants Svenska Spel and LiveScore Group. Svenska Spel is a leading Swedish operator which selected Kambi's sportsbook and Shape Games' front-end development expertise to enhance its Oddset brand, while LiveScore Group has the potential to quickly become one of the largest operators on the Kambi network to date with two fast-growing sportsbook brands in LiveScore Bet and Virgin Bet. The two operators are on track to launch in H1, delivering a meaningful financial impact from H2 2024 onwards.

In Q4, Kambi secured two additional European sportsbook partnerships to take the total number of turnkey signings for the year to 10. In October, Kambi agreed a long-term deal with fast-growing Dutch online casino operator 711 which will leverage Kambi's cutting-edge online sportsbook technology to expand into the sports betting vertical for the first time. Meanwhile, Kambi signed an additional multi-channel partnership with Bingoal to replace the operator's current third-party sportsbook provider with Kambi's best-in-class sports betting technology in Belgium and the Netherlands.

For a full list of partner signings and extensions during and after the quarter, see page 28.

Additional commercial updates

On 31 December 2023, the terms of Kambi's partnership agreement with Kindred Group concluded with a new three-year deal under new commercial terms, which includes a €55 million revenue guarantee for the period, entered into effect on 1 January 2024. Kambi notes the recent communication of Kindred's potential sale to Française des Jeux, however, this possible transaction is not expected to have any impact on the partnership agreement between Kambi and Kindred now underway.

Furthermore, Kambi partner Eyas Gaming has taken the decision to no longer operate sports betting in Brazil.

Partner launches

Kambi completed a total of 12 partner launches during Q4, including a retail launch for Bally's in Illinois, as well as online launches in Indiana, Iowa and New York to take the total number of states where Bally Bet is now live to 11. Elsewhere in North America, Kambi powered online launches for Casumo in Ontario and Rush Street Interactive in Delaware, as well as retail launches for ApuestaPR in Puerto Rico, Churchill Downs in Kentucky and the first sportsbook in Nebraska with WarHorse Gaming. In Europe, Kambi launched online with LeoVegas in the Netherlands and Paf in Sweden, as well as via retail with Kindred in Belgium.

For a full list of partner launches during and after the quarter, see page 29.

Abios esoccer launch

In late November, Kambi's esports division Abios launched its new esoccer product to the Kambi network, provided by the new automated trading models built by Abios. The content is generated outside of the Kambi platform and delivered to Kambi partners via the recently developed trading gateway, which is also used by Tzeract. The esoccer product not only enables a larger number of games to be offered but also vastly improves the quality of offering. During the month of December, the first full month following launch, esoccer was the fifth most popular league on the Kambi network in terms of the number of bets placed, with operator GGR quadrupling compared to the prior month. When coupled with the increasing popularity of Abios' esports streaming product, which leads to greater engagement with the odds product, Kambi believes Abios has exciting growth prospects with partners both inside and outside of the Kambi network.

Items affecting comparability

In Q4, Kambi reached an early settlement of the earnout agreement in respect of Shape Games and established a new management team for this division.

The settlement resulted in a one-time payment of €4.7 million and concludes the earnout in relation to the acquisition. Any remaining provision related to the earnout has been released to the Income Statement, resulting in a credit of €11.3 million being recorded in Q4 2023. There was a further credit to the Income Statement of €1.5 million in relation to Abios, following earnout payments of €5.6 million made in Q4 2023.

As the acquisition accounting included a fair value estimate of the earnout and following the annual impairment review, an impairment expense of €12.4 million has been recognised, also shown within items affecting comparability.

Shape Games' expertise in fully-native front end technology is an important strategic complement to the Kambi Group, as illustrated by the crucial role it played in Kambi's recent partner win of Svenska Spel. Closer integration between Kambi's UX teams and Shape Games will better enable further synergies and deliver a market-leading UX product, enhancing Kambi's turnkey sportsbook and unlocking greater opportunities to be sold both inside and outside of the Kambi network.

Full year summary

2023 proved to be a year of substantial strategic progress for Kambi Group, laying solid foundations for the future. The year was marked by strong commercial momentum, highlighted by the signing of 10 new turnkey partners among which included several high-profile operators including Bally's Corporation, Svenska Spel and LiveScore Group. Additionally, Kambi successfully completed seven renewals with key partners such as ATG, BetPlay, LeoVegas and Rush Street Interactive, showcasing the trust and high demand that continues to exist for Kambi's premium sportsbook.

Despite facing challenges such as a slower regulatory roll-out in major markets and the loss of online revenues from Penn, Kambi demonstrated its resilience with 13% year-on-year revenue growth to €173.3 million excluding the termination fee. This was aided by a full year of revenue contributions from Shape Games, as well as the ongoing expansion of the Kambi partner network and more than 60 partner launches.

In May, Kambi repaid the full €7.5 million convertible bond previously held by Kindred Group. The convertible bond was established as part of Kambi's spin-off from Kindred in 2014 and having satisfied certain financial performance criteria, Kambi last year announced it had secured the right to repay the bond at a time of its own discretion. The repayment of the convertible bond has no impact on the partnership between Kambi and Kindred, which was renewed in 2022 and runs from 1 January 2024 until the end of 2026.

Throughout the year, Kambi also completed share buybacks with the objective of achieving added value for Kambi's shareholders and giving the Board increased flexibility with Kambi's capital structure, including using them to settle share options. Kambi repurchased 462,076 shares during the year for a total of €8.3 million, which represents 1.5% of the outstanding shares in the company. Despite the cash outflows during the year, Kambi's balance sheet remains healthy, closing the year with cash and cash equivalents of €50.5 million.

Commercial progress was underpinned by enhancements to core elements of Kambi's sportsbook. Notably, the Bet Builder product saw significant improvements, including the introduction of cash out and in-game functionality ahead of Super Bowl LVII, providing users with a more dynamic and engaging sports betting experience. A further highlight was the transformation of Kambi's AI-trading division into Tzeract. Having processed hundreds of millions of bets as part of the Kambi network, Tzeract is ready to set a new industry standard in sports betting and is now available as a standalone module for the first time.

This focus on innovation and player experience was evident across the entire Kambi Group. Alongside Tzeract and the Kambi sportsbook, Abios and Shape Games play a fundamental role in Kambi's modularisation strategy and both divisions of the Kambi Group completed significant milestones in 2023. For example, Shape Games signed agreements with several existing Kambi partners and was instrumental in the signing of Svenska Spel, while Abios began trading esports odds on the Kambi network which has led to a significant uptick in esports betting performance. By strategically offering standalone services and opening up its platform, Kambi aims to expand its addressable market and cater to even more operators.

Overall, 2023 solidified Kambi's position as a leader in the sports betting industry and lay the groundwork for future growth through a combination of new partnerships, renewals and product enhancements across the Group. As the sports betting landscape evolves, Kambi's strategic progress in 2023 positions the company for continued success in the years ahead.

2024 outlook

Kambi expects 2024 to be a transitional year. While continuing to drive strategic initiatives for long-term growth, Kambi's revenue will be impacted by Penn's online migration, recently renewed contracts with Kindred and several other partners, and the delayed regulation of the Brazilian market where Kambi anticipates it will gradually gain market share. Based on these developments, Kambi estimates revenue for 2024 to be in the range of €170 – €180 million. Kambi expects revenue from recent partner signings to materialise towards the end of the year, in addition to organic growth from existing partners.

This full-year guidance is provided strictly on a one-off basis and Kambi does not intend to provide annual guidance for coming years.

2027 financial targets

In January 2023, Kambi adopted long-term financial targets in line with its strategic vision. The 2027 financial targets are:

- 1) Revenue of 2-3x FY2022 levels (i.e. approximately €330 - €500 million)
- 2) EBIT in excess of €150 million

These financial targets were based on five key growth drivers:

- Utilise platform flexibility to retain key partners
- Roll out AI-powered pricing
- Extend lead as number one supplier in the Americas
- Sign tier one operators across product portfolio
- Launch in a major regulated Asian market

Kambi also estimated a potential increase in its global addressable market to approximately €50 billion GGR by 2027.

In conjunction with the financial targets, please note the full disclaimer on page 17 in this report.

Underlying assumptions review

As set out in Kambi's key growth drivers, continued regulation across the Americas, as well in certain strategically important countries in Asia, will be required if Kambi is to reach the targets first set out at the Capital Markets Day in January 2023.

In general, the pace of sports betting regulation has slowed compared to previous years, illustrated by recent news that regulated sports betting in California is unlikely to occur in or before 2027. Due to the evolving nature of regulation and its influence on new business opportunities, Kambi must regularly review future expectations and is currently performing an in-depth review of its 2027 financial targets. Kambi had estimated California would contribute approximately €20 – €25 million of revenue with minimal incremental cost in 2027 but will now revisit this projection along with all underlying assumptions that form the basis of its 2027 financial targets. Kambi will update the market once this review has concluded.

Events after Q4

Commercial updates

Since quarter end, Kambi announced an extension to its retail sportsbook platform partnership with Penn to 31 December 2025, superseding the previous agreement that was set to expire in July 2024. Kambi currently supports Penn in 13 states across 30 properties and over the course of the extended term, Penn plans to migrate its retail sportsbooks to its proprietary technology. According to the amended agreement, any retail sports betting revenue generated by Penn, either via Kambi's platform or via Penn's proprietary sportsbook in jurisdictions previously supported by Kambi, will be subject to the same level of revenue share payments from Penn to Kambi through December 2025.

Kambi has also entered into a partnership with virtual sports provider Inspired Entertainment, which will see Inspired's range of virtual sports events integrated into the Kambi sportsbook platform and made available to Kambi partners. The partnership with Inspired Entertainment is in line with Kambi's strategy to open its platform up to high-quality third-party providers to drive revenue and give partners even greater differentiation capability.

Partner launches

Kambi has completed two partner launches since the end of Q4 with an on-property launch with Churchill Downs in Iowa, as well as the launch of the first tribal sportsbook in Kansas with Prairie Band Casino & Resort.

Regulatory update

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

Americas

Brazil (population: 217 million)

On 29 December 2023, the Brazilian President signed into law the regulation of fixed-odds betting in Brazil. The country's Ministry of Finance must now publish final regulatory guidelines for operators which will then be put to public consultation and it is understood that the terms of the licensing process will be laid out in one of three initial regulatory ordinances due to be published in the near future. It is anticipated that the regulated market will start operating in the second half of 2024.

California, United States (population: 39 million)

An effort to legalise mobile and retail sports betting via California's November ballot failed earlier in January 2024. Proponents for the proposed initiatives met staunch opposition from the California Native American Gaming Association (CNIGA) and major commercial operators. Although the earliest California sports betting could now legalise is 2026, a growing industry consensus, including recent comments from the Chairman of the CNIGA, suggests legalisation of sports betting may not occur until 2028.

Chile (population: 20 million)

Chile's online gambling bill passed the country's lower house of Congress in December 2023 and is now with the Senate for final approval. If the current wording of the bill is maintained by the Senate, a cooling off period would be implemented and operators that have exploited a betting platform in the grey market may not be granted a licence to enter the regulated market for 12 months.

Georgia, United States (population: 11 million)

In Georgia, new sports betting legislation cleared the Senate on 1 February, but with an amendment that the bill will require a separate constitutional amendment for the Bill to become law. If passed, sixteen sports betting licences will be available. Before the amendment was introduced, it was understood that the state would target a launch no later than January 2025, but the addition of the amendment leaves the timeline for launch unclear.

Mississippi, United States (population: 3 million)

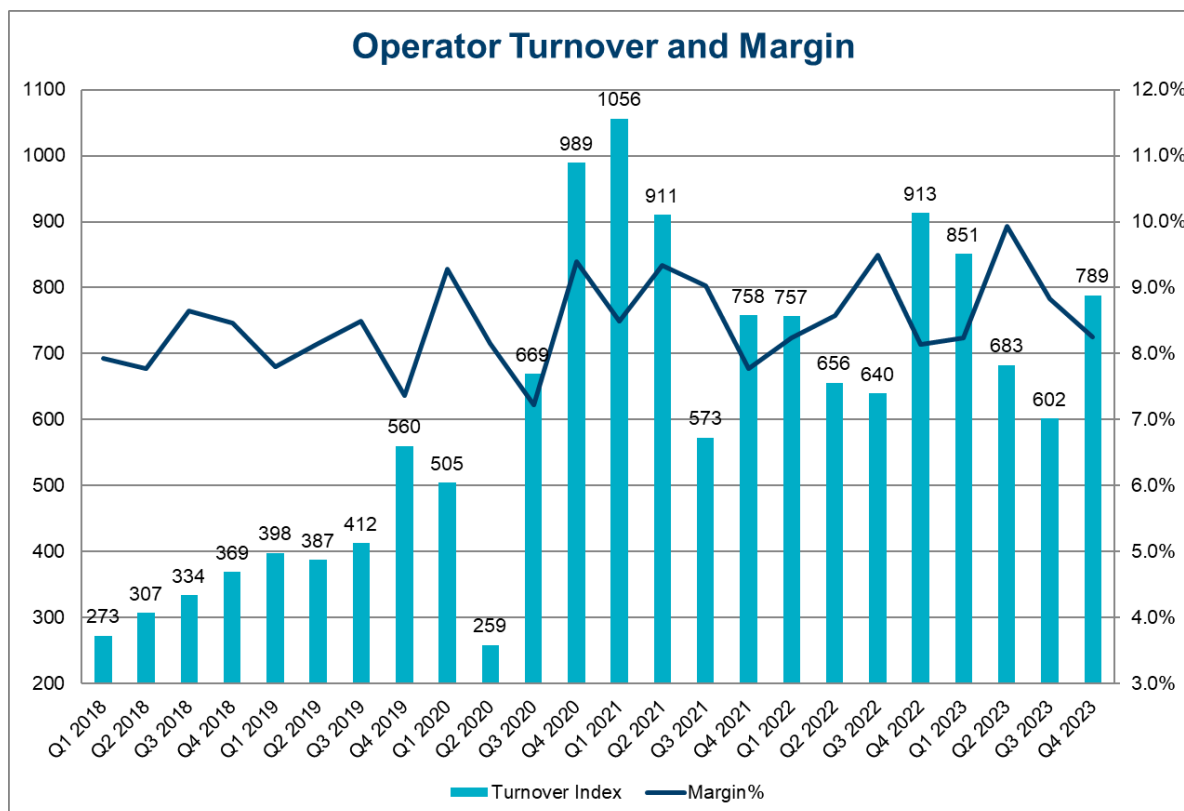
Mississippi advanced draft legislation on 1 February to legalise mobile sports betting in the state. Retail launched in August 2018 and there are currently 26 commercial casinos and three tribal casinos offering retail wagering. The current Bill permits each casino to partner with a mobile sports betting operator with all mobile wagering to be tied to brick-and-mortar casinos to protect the state's land-based industry. Commentators believe Mississippi is one of the most likely states to pass online sports betting legislation this session.

Financial review

Kambi Turnover Index, Operator Trading Margin and Revenue

Definitions of financial terms and performance measures are presented on page 23.

The graph below shows the Kambi Turnover Index since Q1 2018 and also illustrates Kambi's operators' quarterly trading margin.



Operator turnover for the fourth quarter of 2023 was 789, a decrease of 14% versus Q4 2022, which contained the World Cup. The estimated impact on operator turnover from Penn online in Q4 2022 was 168 and when excluding Penn online from the comparative quarter, operator turnover increased by 6%.

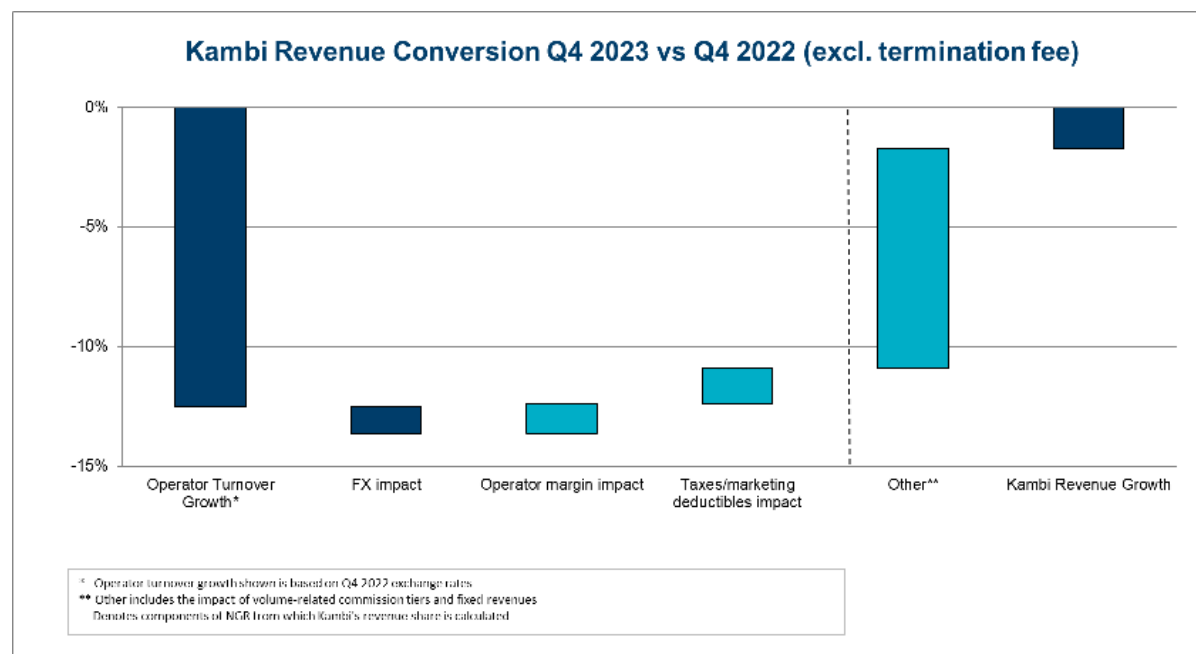
The operator trading margin for Q4 was 8.3% (8.1%) with some player-friendly results early in the quarter and a lower margin on soccer overall compared to Q4 2022.

Operator trading margin for the previous 12 month period was 8.8%. 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%.

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 reviewed quarterly and when updated, previously stated expectations should be considered obsolete.

The graph below demonstrates how the change in operator turnover ultimately results in Kambi's revenue change, excluding the one-off termination fee recorded in Q4 2022:



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 above). To promote and support growth, some of the customer contracts include tiers with lower commission rates on the higher levels of their sports betting revenue.

The 'Other' category in the chart above shows an increase, primarily due to fixed revenues of €3.3 million from Penn for transition services, but also includes the impact of commission rate changes upon different levels of activity within Kambi's customer base.

In the fourth quarter of 2023, revenue was €44.3 (57.8) million. 94% (95%) of sportsbook revenue was derived from locally regulated markets.

Geographical analysis

In Q4 2023, Americas contributed 54% (55%), Europe 43% (42%) and Rest of the World 3% (3%) of the total operator GGR, evidencing Kambi's healthy geographical diversification.

Total expenses

Total expenses for the fourth quarter of 2023 were €37.1 (39.2) million and €153.3 (131.2) million for the full year of 2023. This was below the guidance issued in the previous quarterly report due to the reversal of €2.1 million of IFRS 2 expenses related to the 2021 share option scheme not meeting required financial performance conditions.

Foreign exchange losses in Q4 2023 were €0.6 (2.5) million and €2.2 (€1.4 gain) million for the full year of 2023 on settlements and revaluations of cash and other balance sheet items.

Excluding foreign exchange movements, total expenses are expected to be in the range of €39.0 – 42.0 million in Q1 2024 and €155.0 – 165.0 million for the full year 2024.

Items affecting comparability

Recorded in Q4 2023 were non-recurring items of a credit of €12.7 million related to the release of any provisions on earnout agreements with Abios and Shape Games and an expense of €12.4 million related to the impairment of Goodwill recognised upon purchase of Shape Games.

Following settlement of the earnout agreement and annual impairment review exercises required under IFRS, management have deemed that the recoverable amount of Goodwill in relation to Shape Games was less than the carrying amount.

EBITA (acq)

EBITA (acq) for the fourth quarter of 2023 was €8.5 (20.5) million, at a margin of 19.2% (35.4%). EBITA (acq) is a metric that excludes the amortisation on acquired intangibles from the Operating profit (EBIT) to show the underlying performance of the company excluding non-cash acquisition-related entries.

On a full year basis, and when excluding termination fees recorded in Q4 2022, EBITA (acq) has increased from €25.0 million in Q4 2022 to €25.2 million in Q4 2023.

Taxation

The tax expense comprises corporation tax and withholding tax. The tax expense for the fourth quarter of 2023 was €1.9 (3.4) million, including €0.5 (0.5) million of withholding tax. The tax expense for the full year of 2023 was €5.1 (7.1) million. The consolidated tax position of the group is a net recoverable position of €0.2 (€4.0 payable) million at 31 December 2023.

Financial position and cash flow

The net cash position at 31 December 2023 was €50.5 (53.3) million.

Cash flow (excluding working capital movements and M&A) amounted to €5.5 (17.9) million for the fourth quarter of 2023 and €15.0 (25.2) million for the full year of 2023.

During the quarter, significant cash transactions were recognised on the exercise of share options (€2.3 million inflow), share buybacks (€1.1 million outflow) and payments of contingent consideration (€10.2 million outflow), of which €5.6 million related to Abios and €4.7 million to Shape. The net change in cash was a decrease of €12.2 (15.2 increase) million for the quarter.

For the full year of 2023, the net change in cash was a decrease of €10.2 (17.6 decrease) million as a result of strong operating cash flow offset by significant cash outlays related to share buybacks (€8.3 million), payments of contingent consideration (€10.3 million) and the bond repayment (€7.5 million) completed earlier in the year.

Nomination Committee

A Nomination Committee is appointed each year by the major shareholders in accordance with the instruction for the Nomination Committee adopted by the Annual General Meeting of shareholders (AGM).

The main responsibility of the Nomination Committee is to propose Board members for election at the AGM. The Nomination Committee, which is independent from the Board, is responsible for reviewing the size, structure and composition of the Board, succession planning, the appointment of replacement and/or additional directors, and for making the appropriate recommendations to the AGM. The Nomination Committee also prepares proposals regarding Chair of the Meeting, Board remuneration, fees to the auditor and election of auditor, and, if necessary, proposal for changes in the instruction to the Nomination Committee. In its evaluation of the Board, the Committee holds individual interviews with the Board members.

The members of the Nomination Committee shall represent all shareholders and be appointed by the three or four largest shareholders as at 30 September each year having expressed their willingness to participate in the Nomination Committee. Kambi's Nomination Committee shall consist of not less than four, and not more than five members, of which one shall be the Chair of the Board. The Nomination Committee is chaired by Anders Ström.

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

The members for the 2024 Annual General Meeting are:

- Lars Stugemo, Veralda Investment Ltd
- Bile Daar, Keel Capital
- Jonas Eixmann, The Second Swedish National Pension Fund
- Anders Ström, Chair of the Board of Kambi Group plc

As previously communicated, the Nomination Committee has decided on the following proposals to the 2024 AGM.

a) The Board of Directors should be extended and no deputy members elected for the period until the 2025 AGM.

b) The re-election of the following current members of the Board of Directors for the period until the 2025 AGM:

- Anders Ström
- Patrick Clase
- Marlene Forsell
- Cecilia de Leeuw

c) The election of the following new members to the Board of Directors for the period until the 2025 AGM:

- Kristian Nylén
- Benjie Cherniak

d) The election of Anders Ström as Chair of the Board.

The Nomination Committee will present its proposals further in its Motivated Opinion, to be published together with the Notice of the 2024 AGM. As the Chair of the Nomination Committee and the Chair of Board of Directors, Anders Ström did not participate in the deliberations and subsequent decisions regarding his nominations.

Brief CVs for the proposed new members to the Board of Directors:

Kristian Nylén is a Swedish citizen, born in 1970.

Nylén is a co-founder of Kambi and its current CEO. He joined Unibet in 2000 and soon assumed responsibility for Unibet's sportsbook operation. Nylén became the CEO of Kambi upon its formation in 2010, leading the company to become the industry's number one sportsbook supplier.

Benjie Cherniak is a Canadian citizen, born in 1968.

Cherniak is an independent investor and advisor in the iGaming space. Previously, he was a Managing Director at Scientific Games (today "Light & Wonder"), following the company's acquisition of Don Best Sports. Cherniak was the Principal and Managing Director of Don Best Sports between 2007 and 2018.

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 (€) unless otherwise stated and all the numbers in brackets refer to the equivalent period in the previous year.

Financial calendar

28 March 2024	2023 Annual Report and Accounts
24 April 2024	Q1 2024 report
21 May 2024	2024 Annual General Meeting
24 July 2024	Q2 2024 report
6 November 2024	Q3 2024 report

Contacts

CEO Kristian Nylén

CFO David Kenyon

SVP Investor Relations Mia Nordlander, +44 203 318 6279, +44 785 091 0933

Investor Relations Analyst Chris Stutzman, +1 302 603 5137

www.kambi.com

Kambi Group plc

Avenue 77, A4, Triq in-Negożju,
Zone 3, Central Business District,
Birkirkara, CBD 3010, Malta

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 40-plus customers include ATG, Bally's Corporation, Corredor Empresarial, Kindred Group, LeoVegas, LiveScore, Rush Street Interactive and Svenska Spel. Kambi employs more than 1,000 staff across offices in Malta (headquarters), Australia, Denmark, 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.

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 21 February 2024 at 07:45 CET by CEO Kristian Nylén.

CONSOLIDATED INCOME STATEMENT

€ '000

	Q4 2023	Q4 2022	Jan - Dec 2023	Jan - Dec 2022
Revenue	44,287	57,816	173,303	166,006
<i>of which termination fee</i>	-	12,607	-	12,607
	44,287	45,209	173,303	153,399
Staff costs	-14,561	-14,468	-61,264	-57,593
Data supplier costs	-3,838	-4,670	-17,184	-17,672
Other operating expenses	-8,243	-8,832	-35,976	-28,687
Exchange gains/(losses)	-608	-2,538	-2,232	1,358
Operating expenses	-27,250	-30,508	-116,656	-102,594
EBITDA	17,037	27,308	56,647	63,412
<i>EBITDA margin</i>	38.5%	47.2%	32.7%	38.2%
Amortisation on capitalised development costs	-6,352	-5,172	-24,240	-19,123
Depreciation	-2,203	-1,650	-7,182	-6,683
EBITA (acq)	8,482	20,486	25,225	37,606
<i>EBITA (acq) margin</i>	19.2%	35.4%	14.6%	22.7%
Amortisation on acquired intangibles	-1,332	-1,833	-5,241	-2,832
Total expenses	-37,137	-39,163	-153,319	-131,232
Operating profit	7,150	18,653	19,984	34,774
<i>Operating margin</i>	16.1%	32.3%	11.5%	20.9%
Investment income	241	60	563	97
Finance costs	-236	-217	-836	-1,288
Profit before items affecting comparability	7,155	18,496	19,711	33,583
Impairment of Goodwill	-12,417	-	-12,417	-
Contingent consideration reversal	12,717	-	12,717	-
Profit before Tax	7,455	18,496	20,011	33,583
Income tax	-1,925	-3,398	-5,110	-7,132
Profit after tax	5,530	15,098	14,901	26,451

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ '000

	Q4 2023	Q4 2022	Jan - Dec 2023	Jan - Dec 2022
Profit after tax for the period	5,530	15,098	14,901	26,451
Other comprehensive income:				
Currency translation adjustments taken to equity	-503	-1,000	236	-2,746
Actuarial gain/(loss) on employee defined benefits	-141	161	-141	161
Comprehensive income for the period	4,886	14,259	14,996	23,866

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
€ '000

	31 Dec 2023	31 Dec 2022
	Restated	
ASSETS		
<i>Non-current assets</i>		
Intangible assets	101,186	115,453
Property, plant and equipment	17,819	18,505
Deferred tax assets	6,393	6,247
	125,398	140,205
<i>Current assets</i>		
Trade and other receivables	37,369	38,968
Tax receivables	1,585	-
Cash and cash equivalents	50,540	60,701
	89,494	99,669
Total assets	214,892	239,874
EQUITY AND LIABILITIES		
<i>Capital and reserves</i>		
Share capital	93	93
Share premium	62,046	62,046
Other reserves	4,817	5,434
Currency translation reserve	-4,693	-4,929
Shares repurchased	-15,089	-12,000
Retained earnings	124,973	112,743
Total equity	172,147	163,387
<i>Non-current liabilities</i>		
Lease liabilities	9,128	9,992
Convertible bond	-	7,447
Contingent consideration	-	12,234
Deferred tax liabilities	6,897	7,791
Other liabilities	485	293
	16,510	37,757
<i>Current liabilities</i>		
Trade and other payables	20,883	18,200
Tax liabilities	1,368	4,020
Contingent consideration	118	13,267
Lease liabilities	3,866	3,243
	26,235	38,730
Total liabilities	42,745	76,487
Total equity and liabilities	214,892	239,874

*2022 Consolidated Statement of Financial Position includes restatement of balances related to acquisition accounting on Shape Games

CONSOLIDATED STATEMENT OF CASH FLOWS
€ '000

	Q4 2023	Q4 2022	Jan - Dec 2023	Jan - Dec 2022
OPERATING ACTIVITIES				
Profit from operations	7,150	18,653	19,984	34,774
<i>Adjustments for:</i>				
Depreciation of property, plant and equipment	2,203	1,650	7,182	6,683
Amortisation of intangible assets	7,684	7,005	29,481	21,955
Share-based payment	-1,931	332	-482	2,054
Operating cash flows before movements in working capital	15,106	27,640	56,165	65,466
(Increase)/decrease in trade and other receivables	-7,712	3,148	1,599	-645
(Decrease)/increase in trade and other payables	-142	-3,777	1,926	-3,897
(Decrease)/increase in other liabilities	149	-152	192	-96
Cash flows from operating activities	7,401	26,859	59,882	60,828
Income taxes paid net of tax refunded	-1,781	-2,101	-10,438	-11,922
Interest income received	78	60	400	97
Net cash generated from operating activities	5,698	24,818	49,844	49,003
INVESTING ACTIVITIES				
Purchases of property, plant and equipment	-220	-626	-3,547	-2,898
Development costs of intangible assets	-7,722	-7,103	-27,630	-25,524
Acquisition of subsidiary, net of cash acquired	-	-1,059	-1,244	-36,363
Payment of contingent consideration	-10,214	-	-10,310	-
Net cash used in investing activities	-18,156	-8,788	-42,731	-64,785
FINANCING ACTIVITIES				
Proceeds from exercise of share options	2,314	-	2,314	2,582
Shares repurchased	-1,145	-	-8,323	-
Repayment of convertible bond	-	-	-7,500	-
Payment of lease liabilities	-868	-797	-3,424	-3,831
Interest paid	-66	-72	-419	-615
Net cash generated/(used in) financing activities	235	-869	-17,352	-1,864
Net increase/(decrease) in cash and cash equivalents	-12,223	15,161	-10,239	-17,646
Cash and cash equivalents at beginning of period	62,417	45,566	60,701	79,657
Effect of foreign exchange rate differences	346	-26	78	-1,310
Cash and cash equivalents at end of period	50,540	60,701	50,540	60,701

**CONSOLIDATED STATEMENT OF CHANGES
IN EQUITY**

€ '000

	Q4 2023	Q4 Jan - Dec 2022	Jan - Dec 2023	Jan - Dec 2022
Opening balance at beginning of period	167,768	149,288	163,387	135,377
<i>Comprehensive income</i>				
Profit for the period	5,530	15,098	14,901	26,451
<i>Other comprehensive income:</i>				
Translation adjustment	-503	-1,000	236	-2,746
Actuarial gain/(loss) on employee defined benefits	-141	161	-141	161
	4,886	14,259	14,996	23,866
<i>Transactions with owners</i>				
Share options - value of employee services	-1,931	332	-482	2,054
Other	274	-	274	-
Shares repurchased	-1,145	-	-8,323	-
Exercise of share options	2,289	-	2,289	2,582
Tax on share options	-	-492	-	-492
Tax on retirement benefits	6	-	6	-
	-507	-160	-6,236	4,144
Closing balance at end of period	172,147	163,387	172,147	163,387

KEY METRICS

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

	Q4 2023	Q4 2022	Jan-Dec 2023	Jan - Dec 2022
EBITDA (€m)	17.0	27.3	56.6	63.4
EBITA (acq) (€m)	8.5	20.5	25.2	37.6
EBITA (acq) margin	19.2%	35.4%	14.6%	22.7%
Operating profit (EBIT) (€m)	7.2	18.7	20.0	34.8
Operating margin	16.1%	32.3%	11.5%	20.9%
Net cash (€m)	50.5	53.3	50.5	53.3
Employees at period end	1,110	1,114	1,110	1,114
FTE Employees at period end	1,097	1,105	1,097	1,105
Earnings per share (€)	0.182	0.491	0.488	0.861
Fully diluted earnings per share (€)	0.181	0.489	0.486	0.856
Number of shares outstanding at period end	30,539,705	30,754,797	30,539,705	30,754,797
Fully diluted number of shares at period end	30,645,705	31,630,781	30,645,705	31,630,781
Average number of shares	30,429,385	30,754,797	30,529,475	30,706,114
Average number of fully diluted shares	30,490,483	30,898,933	30,631,451	30,896,281

Definitions

Cash flow (excluding working capital and M&A)

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

Customer/partner

B2C operator to whom Kambi provides services

Earnings per share, fully diluted

Profit after tax adjusted for any effects of dilutive potential ordinary shares divided by the fully diluted weighted average number of ordinary shares for the period

EBIT

Earnings before interest and taxation, equates to operating profit. EBIT does not include Items affecting comparability.

EBITA (acq)

Earnings before interest, taxation and amortisation on acquired intangible assets. EBITA (acq) does not include Items affecting comparability

EBITDA

Earnings before interest, taxation, depreciation and amortisation on both acquired intangible assets and capitalised development costs

Gross Gaming Revenue

Gross Gaming Revenue (GGR) is the amount wagered minus the winnings returned to the players

Items affecting comparability

Financial items reported separately due to their non-recurring nature and are not related to underlying business operations

Kambi Turnover Index

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

Net cash

Total cash less debt at period end

Net Gaming Revenue

Net Gaming Revenue (NGR) is GGR less deductible costs such as gaming tax

Operator trading margin

The operator trading margin is the GGR as a percentage of Operator turnover

Operator turnover

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

Commercial explanations

Bet Builder

A product which gives bettors the opportunity to combine individual selections in the same game with a single betslip

Complete, Flex and Select

Complete, Flex and Select is Kambi's portfolio of market-leading sports betting products. Complete is Kambi's full turnkey sportsbook, Flex allows partners to build on Kambi's open platform with a mix and match of Kambi and third-party products, and Select is Kambi's offering of standalone modular sports betting services.

Cost development

As detailed during the 2023 Capital Markets Day, Kambi's long-term cost strategy includes a potential slowdown in underlying cost growth as significant cost efficiencies and synergies are realised whilst retaining a scalable business model. Core elements of the cost development include:

- Focused product reinvestments
- Depreciation & amortisation increase
- Additional costs from new modules
- Additional costs from algorithmic trading
- Significant savings and synergies across these areas

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

Operating expenses

Operating expenses are a combination of activity-related costs and fixed costs; the main expenses are salaries, office costs, data supplier costs, and consultant costs

Revenue

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' GGR less deductible costs, such as certain capped marketing incentives and tax (i.e. NGR).

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.

Second and third-generation trading

Second generation trading is odds compiling and trading by humans with the assistance of algorithmic models, while the third-generation trading capability developed in-house by Kambi is odds compiling and trading by algorithmic models with the assistance of humans

Overview of US partners

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

✓ = Retail and online

✓ = Retail

✓ = Online

State	Affinity	Bally's	CDI	Desert Diamond	Four Winds	JACK	Kindred	ilani	Miami Valley
Arizona		✓	✓	✓			✓		
Colorado		✓							
Illinois		✓							
Indiana		✓			✓		✓		
Iowa	✓	✓	✓						
Kentucky			✓						
Louisiana		✓	✓						
Maryland			✓						
Michigan					✓				
Mississippi		✓	✓						
New Jersey		✓					✓		
New York		✓	✓						
Ohio		✓				✓			✓
Pennsylvania			✓				✓		
Virginia		✓					✓		
Washington							✓	✓	

State	War-Horse	Oaklawn	Parx	Penn	Pota-watomi	Prairie Band	RSI	Seneca	Soaring Eagle
Arizona							✓		
Arkansas		✓							
Colorado				✓			✓		
Delaware							✓		
Illinois				✓			✓		
Indiana				✓			✓		
Iowa				✓			✓		
Kansas				✓		✓			
Louisiana				✓			✓		
Maryland			✓	✓			✓		
Massachusetts				✓					
Michigan			✓	✓			✓		✓
Mississippi				✓					
Nebraska	✓								
New Jersey			✓				✓		
New York							✓	✓	
Ohio			✓	✓			✓		
Pennsylvania			✓	✓			✓		
Virginia							✓		
West Virginia				✓			✓		
Wisconsin					✓				

Partner signings and extensions

Below, Kambi details all partner signings and extensions completed during and after the quarter across the Kambi Group:

Kambi Group division	Partner	Territory	Contract type	Channel
Kambi	711	Netherlands	New	Online & Retail
Kambi	Bingoal	Europe	New	Online
Kambi	LiveScore	Europe	New	Online
Kambi	Penn Entertainment	United States	Extension	Retail
Kambi / Shape Games	Svenska Spel	Sweden	New	Retail & Online

Partner launches

Below, Kambi details all launches during and after the quarter:

Kambi Group division	Partner	Territory	Online	Retail	Number of properties
Kambi	ApuestaPR	Puerto Rico		✓	1
Kambi	Bally's Corporation	Illinois, US		✓	1
		Indiana, US	✓		
		Iowa, US	✓		
		New York, US	✓		
Kambi	Casumo	Ontario	✓		
Kambi	CDI	Iowa, US		✓	1
		Kentucky, US		✓	1
Kambi	Kindred	Belgium		✓	1
Kambi	LeoVegas	Netherlands	✓		
Kambi	Paf	Sweden	✓		
Kambi	Prairie Band	Kansas, US		✓	1
Kambi	RSI	Delaware, US	✓		
Kambi	WarHorse	Nebraska, US		✓	1