



kindred

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Interim Report

Q3 2023 | 29 NOVEMBER 2023

Outline

1. HIGHLIGHTS

2. BUSINESS OVERVIEW

- Q3 PERFORMANCE
 - PRODUCT SEGMENT UPDATE
 - REGIONAL UPDATE
 - NORTH AMERICA
 - RELAX
 - SUSTAINABILITY
-

3. FINANCIALS

4. STRATEGIC REVIEW UPDATE

4. SUMMARY

Highlights

Interim strategic review update in three parts

North America exit | **Cost reductions** | **Increased focus on profitable growth**

Indicative guidance for the fiscal year 2024 to reach an underlying EBITDA of **GBP 250 million** and reiteration of full year 2023 underlying EBITDA guidance of at least **GBP 200 million** assuming normalised sports betting margin

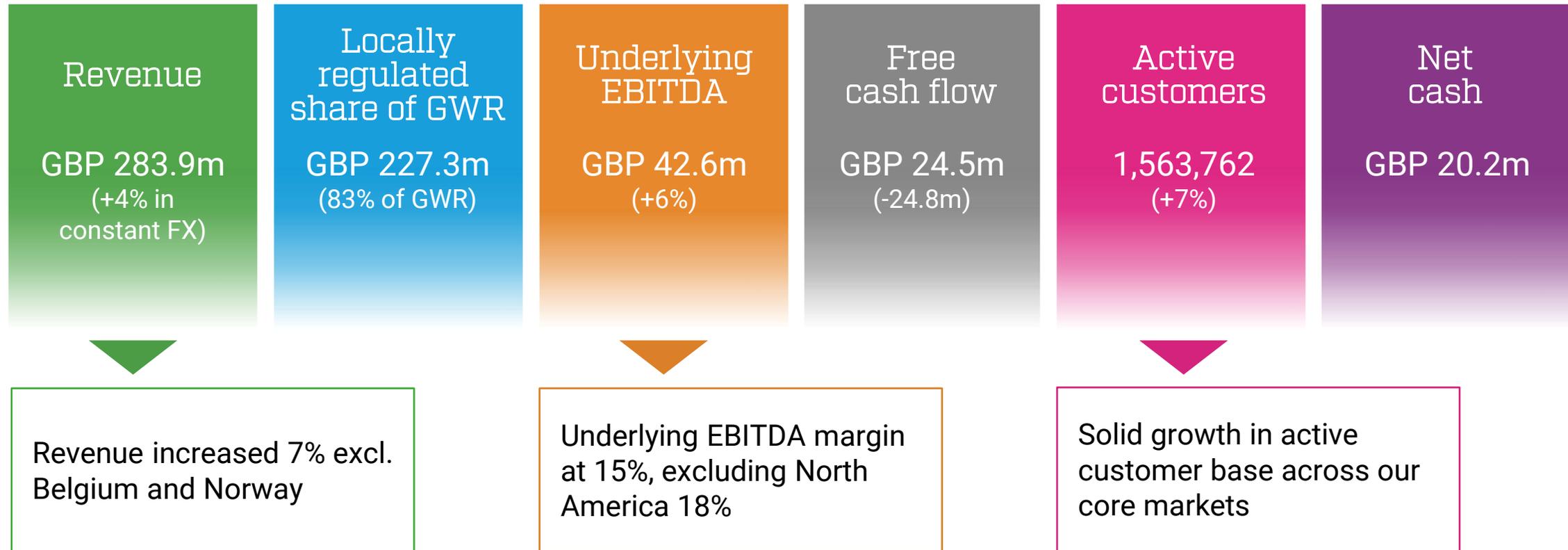
Solid **customer activity** with **7% growth** and casino performance with **11% growth** but offset by temporary weak sportsbook and regulatory impacts

The **number one operator** in the Netherlands and continued above market growth in the UK

Share of locally regulated Gross winnings revenue at new **all time high** of **83%**



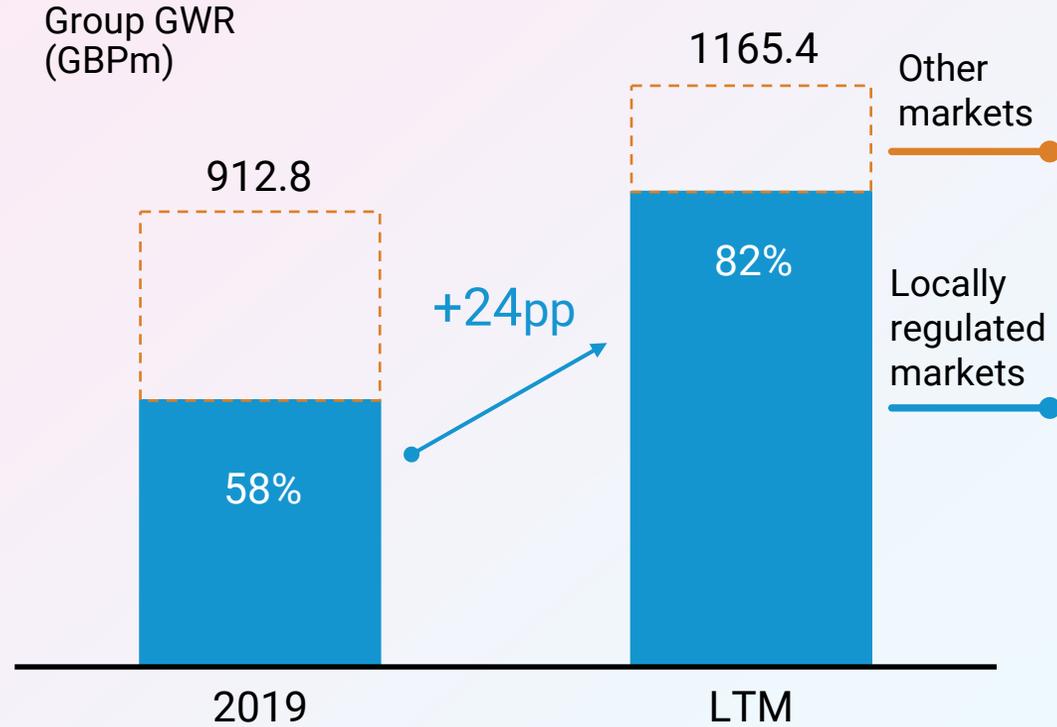
Strong active customer base during a quarter tempered by an impacted sportsbook performance



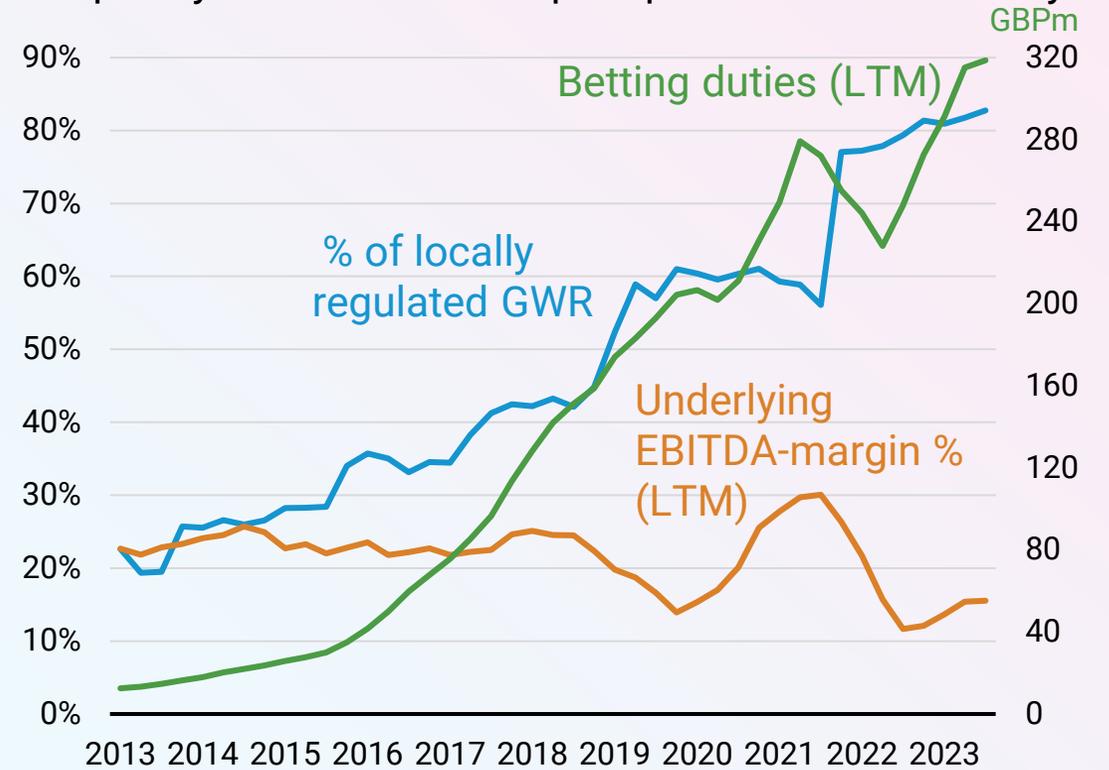
Business overview

Share of locally regulated GWR at a new all-time high of 83% in Q3 23

Solid shift towards a more sustainable Gross winnings revenue mix



Ongoing efforts for betting duty absorption, but temporary revenue shortfall puts pressure on scalability

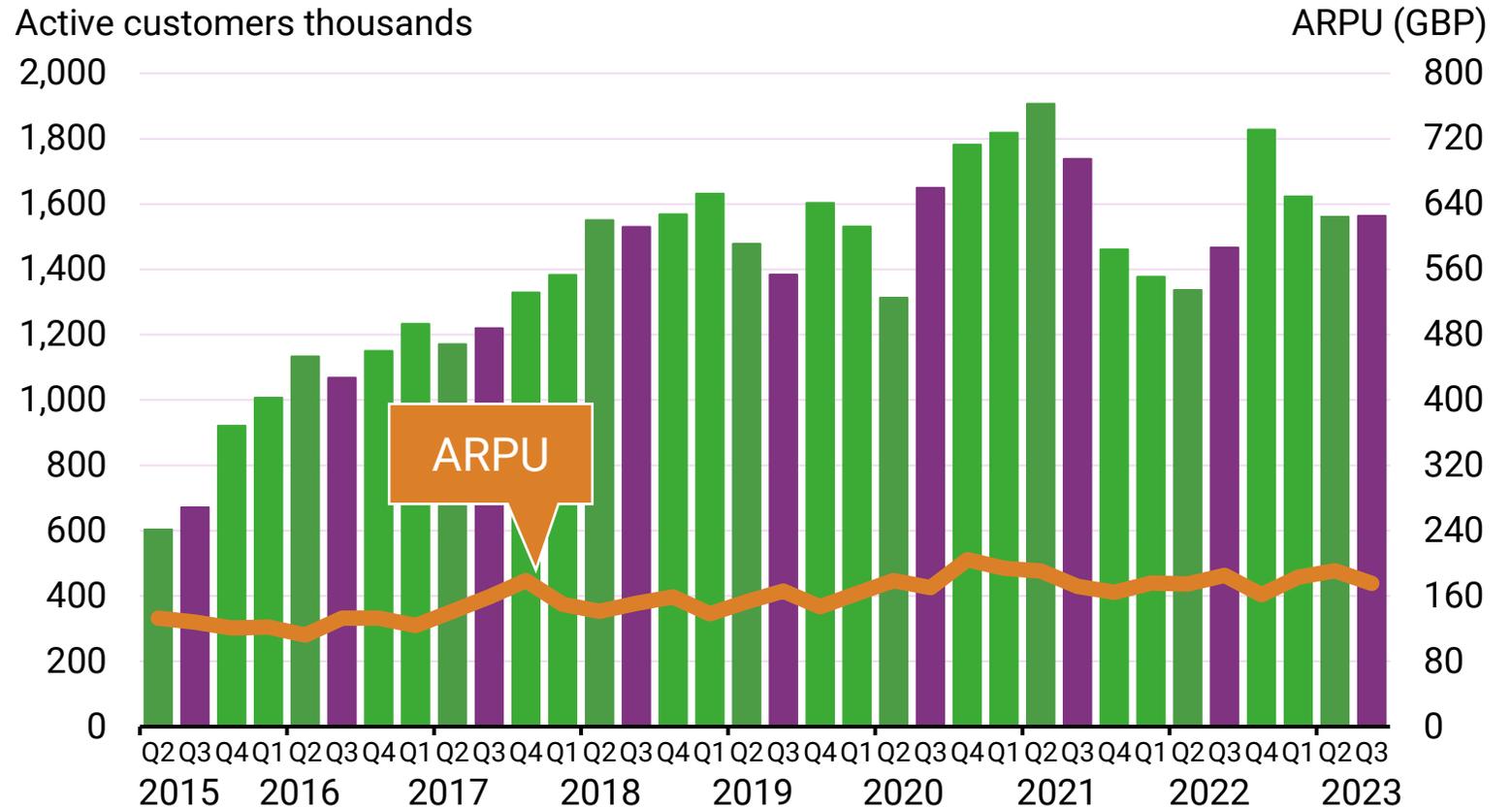


Solid active customer base across core markets

Number of active customers amounted to approx. 1.56 million, a 7% increase compared to Q3 2022

The ARPU decreased by approx. 5% vs. Q3 2022

Solid growth across core markets such as the UK, the Netherlands, Sweden and Denmark



Product segment update

Q3 2023, YEAR-ON-YEAR

Sports betting

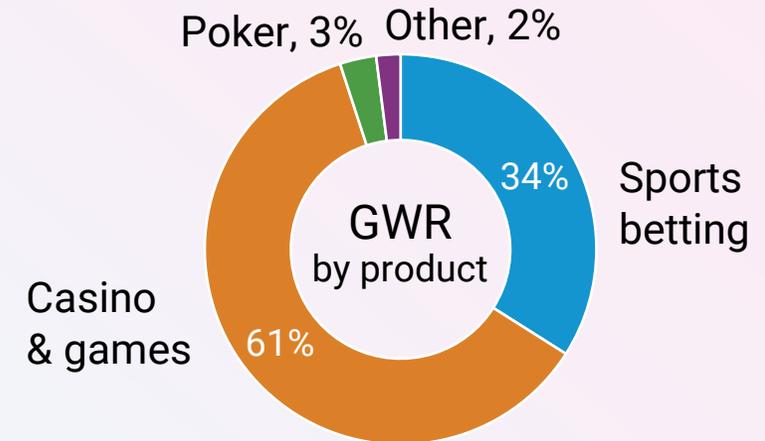
- GWR declined by 13%, negatively impacted by a subdued sports calendar, lower stakes per customer and soft sports betting margin
- Regulatory impacts in select core markets
- Kindred's proprietary racing product contributed 7% to total sports betting GWR

Casino & games

- GWR increased by 11% as strong performance in some key markets more than offset continued regulatory pressure
- Focus on a strong and diverse casino offering, supported by release of 18 exclusive slots and addition of 2 new suppliers

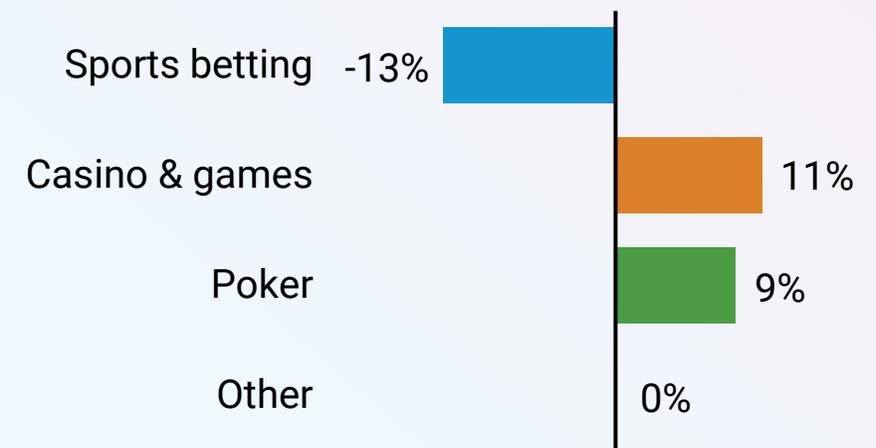
Poker and other products

- GWR grew by 5% driven by growth in Poker



GWR year-on-year growth

(as reported in GBP)



Sports betting margin below long-term average

UNFAVOURABLE RESULTS IN THE LATTER HALF OF Q3 HAD A DAMPENING EFFECT ON THE MARGIN

Sports betting margin after free bets



- Sports betting margin of 9.4% after free bets vs. 9.9% during the same period last year
- After initial strength, a series of customer friendly results brought lower margins in the latter half of the quarter
- The weighted average long-term sports betting margin (since Q4 2020) after free bets is 9.7%
- Increased popularity of the Betbuilder product, changing market mix, lower bonus costs and continued optimisation of trading are offering support for an upward trajectory of the margin

Regional update

Q3 2023, YEAR-ON-YEAR

Western Europe

- GWR increased by 12%, primarily driven by strong development in Netherlands and UK
- Regulatory headwinds in Belgium remained following affordability and safer gambling measures introduced in the latter part of 2022
- The Netherlands grew by 80% in local currency and UK continued to perform well at a growth rate of 7%

Nordics

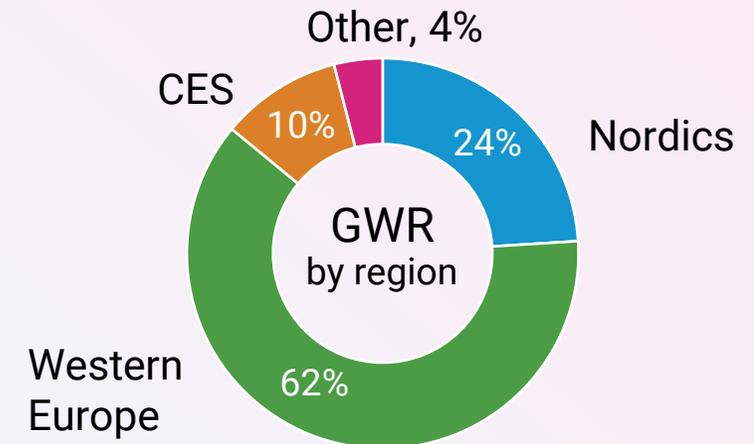
- GWR decreased by 17%, adversely impacted by changes made to our offering for Norwegian customers in Q4 2022, affordability measures implemented in Sweden and weak sports betting activity

Central, Eastern and Southern Europe (CES)

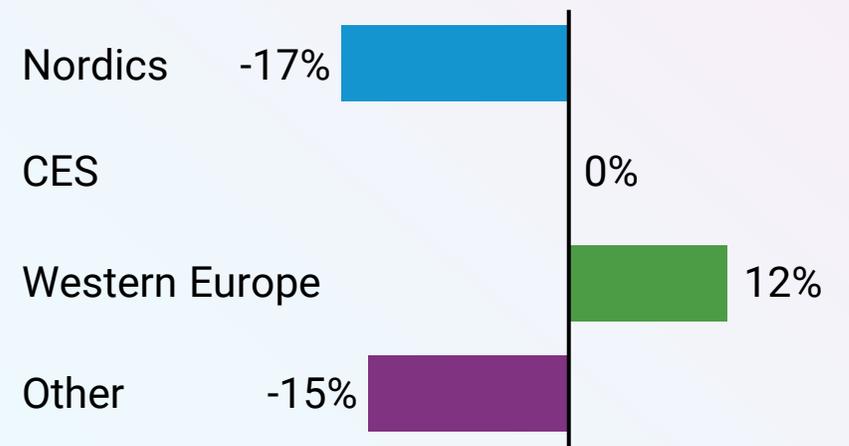
- GWR remained broadly flat. A strong casino performance in Romania was offset by an overall decline in sports betting

Other

- GWR decreased 15% driven by North America



GWR year-on-year growth (as reported in GBP)



Controlled exit of North American operation

- A decision has been made to immediately initiate a controlled exit from North America
- Expectation to have operations fully exited by the end of Q2 2024, subject to regulatory process
- In Q3 2023, GWR reached GBP 6.4m, 11% y-o-y decrease in constant currency
- Continued measured approach to investment levels during the quarter, with reduced underlying EBITDA loss of 34%, GBP -6.5m in Q3 2023 vs. GBP -9.8m in Q3 22
- During first three quarters of 2023, underlying EBITDA losses amounted to GBP 17.1m

North America operations Q3 2023, GBPm

GWR	6.4
CoS	-5.8
Marketing	-5.4
Admin expenses	-1.7
Underlying EBITDA	-6.5

North America Underlying EBITDA development

GBPm

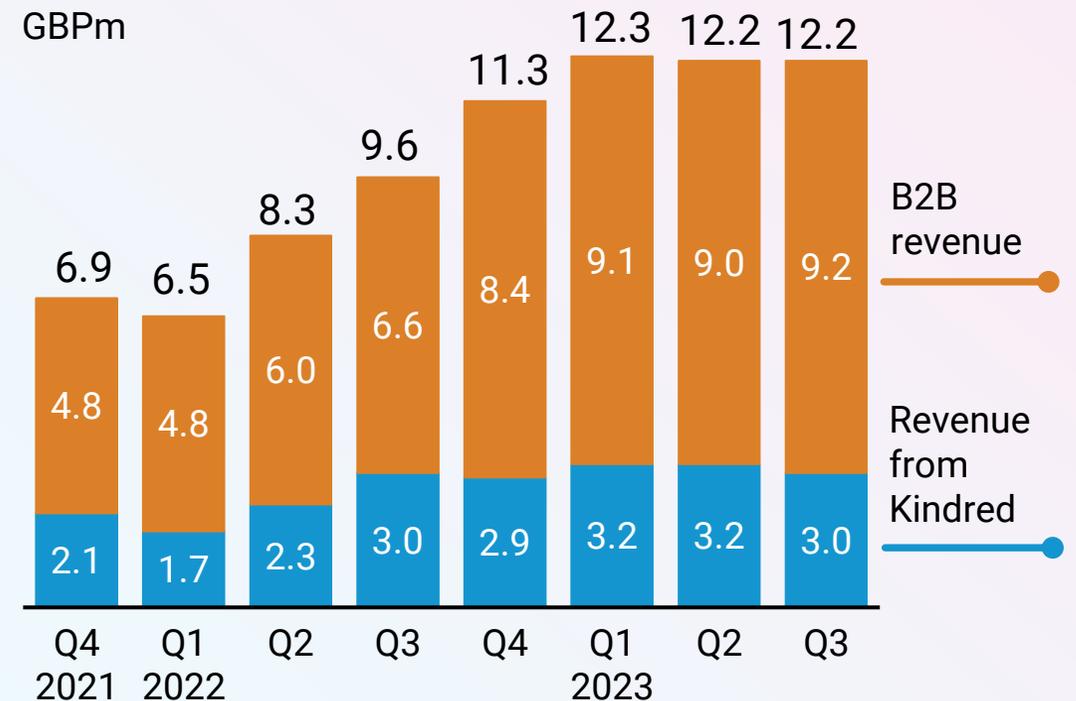


Relax continues to grow from strength to strength

27% REVENUE GROWTH WHILE EBITDA GREW 37%

- Relax Q3 total revenue: GBP 12.2m, a 27% increase from Q3 2022 (adjusted). Q3 B2B revenue: GBP 9.2m
- Growth driven by broader distribution and successful game launches
- Q3 gross profit contribution: GBP 10.3m (compared to GBP 8.3m in Q3 2022)
- Underlying EBITDA contribution: GBP 5.9m, representing a 48% margin
- 7 games launched, including one exclusive for Kindred
- Successful launch of Money Train 4 on September 20th, expected to support revenue growth in Q4
- Expectation to go live in the US in December

Restated Relax total revenue development*



* Reported B2B revenue for Q4 2022 includes a GBP 2.0 million revenue adjustment that relates to the first three quarters of 2022 (Q1: £0.5m, Q2: £0.8m and Q3: £0.7m). The comparative Q4 2021 restated revenue includes an adjustment of £0.4m. This adjustment has no impact on gross profit

A DETERMINED FOCUS ON SUSTAINABILITY

Dedicated focus on our Journey towards Zero

Data from Q3 2023:
Share of GWR from high-risk players: 3.3%
Improvement effect after interventions: 86.7%

We continue to focus on activities designed to maintain customers at reduced risk levels;

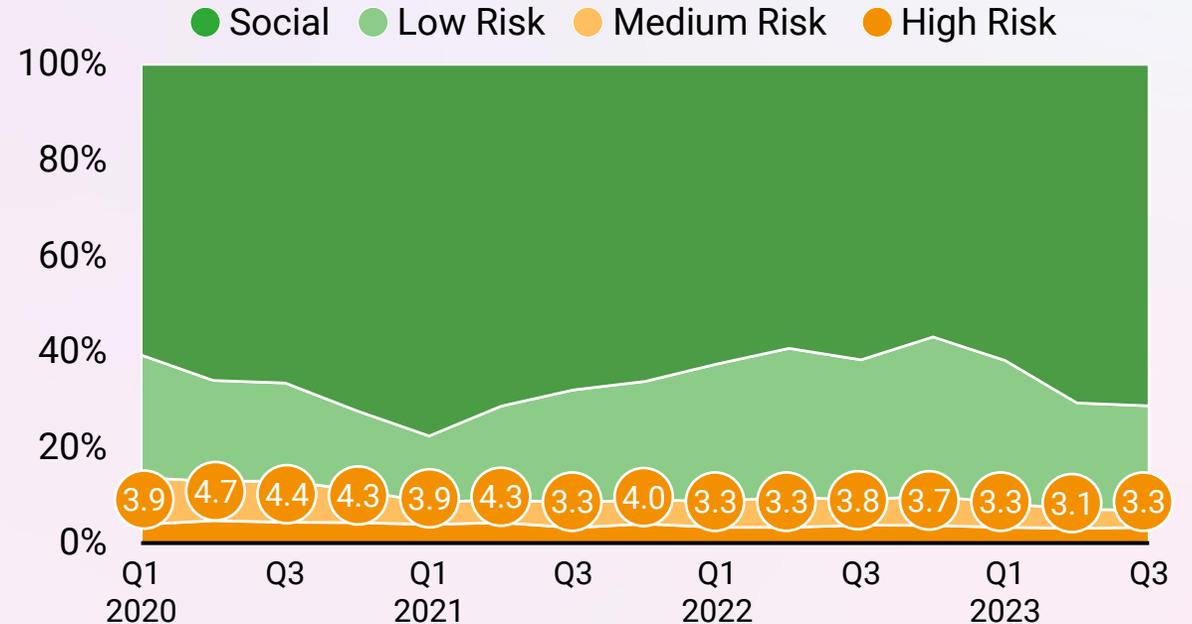
- Shortening the time from detection to intervention through automation
- Continued investment in and collaboration with researchers
- Ensuring control tools are visible, understood and used in the right way
- Improving transparency and knowledge sharing
- Increased effectiveness through scalable tools

SAVE THE DATE



SUSTAINABLE GAMBLING CONFERENCE

2024
March 20
London



Our Journey Towards
ZERO

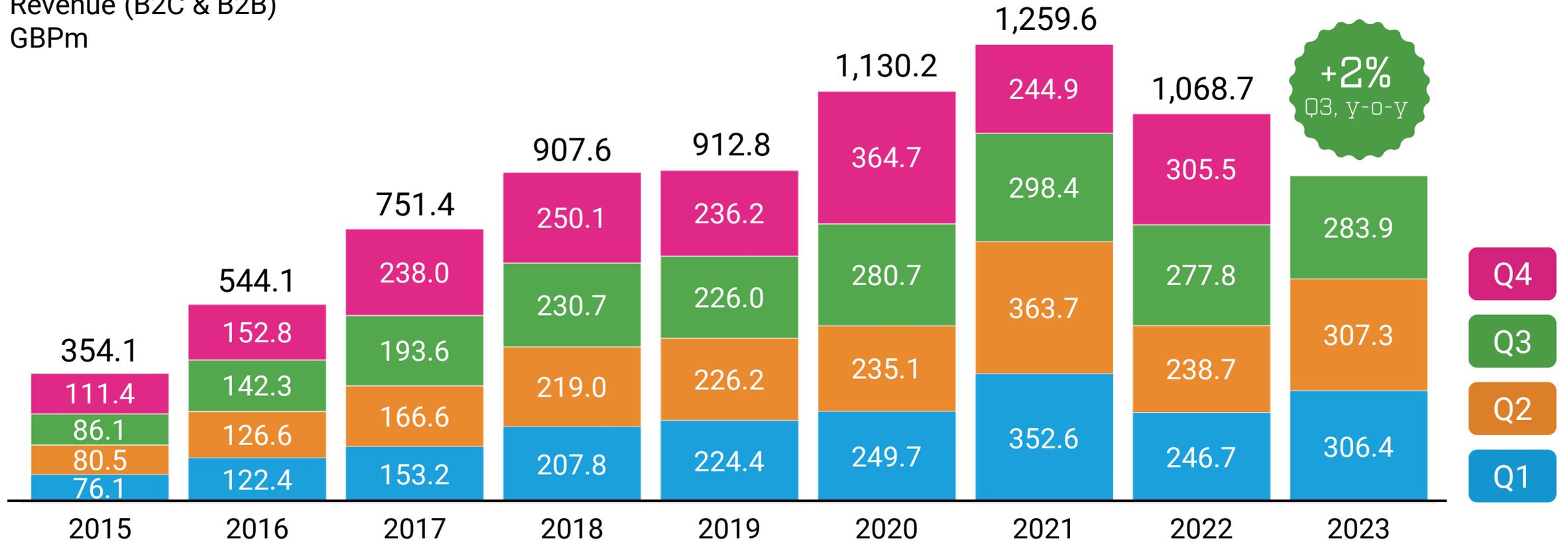


Financials

Growth despite soft sportsbook performance and continued regulatory impacts

REVENUE GROWTH OF 4% IN CONSTANT CURRENCY

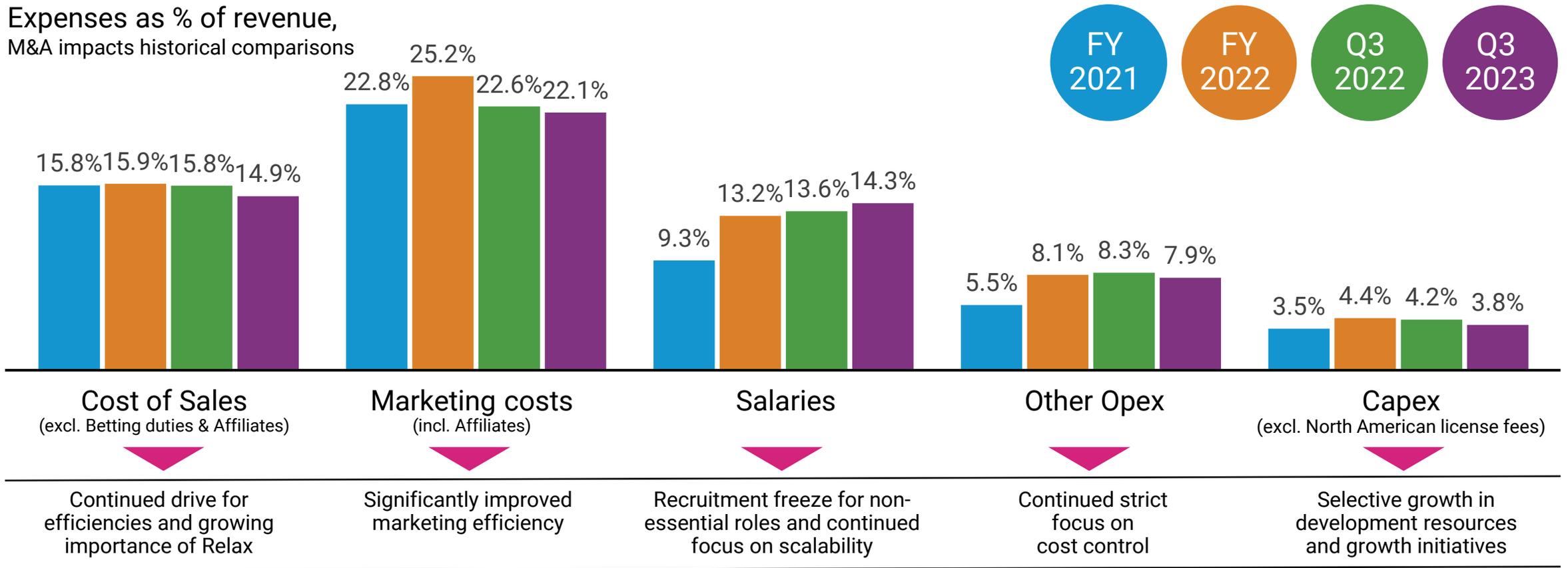
Revenue (B2C & B2B)
GBPm



Firm focus on cost control and investment for future growth

CONTINUED DELIVERANCE ON EFFICIENCY

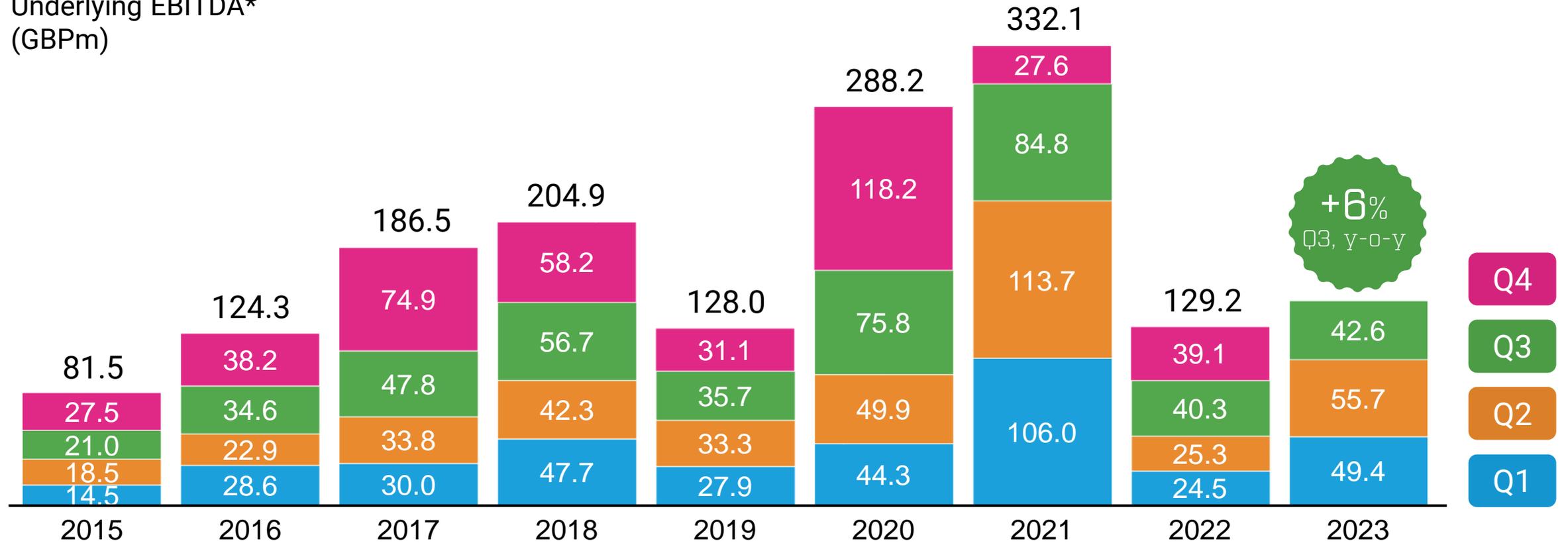
Expenses as % of revenue,
M&A impacts historical comparisons



Continued drive for efficiencies to secure further scalability

EXCL. NORTH AMERICA, UNDERLYING EBITDA REACHED GBP 49.1M, A MARGIN OF 18%

Underlying EBITDA*
(GBPm)



* From Q4 2021, the definition of underlying EBITDA has been updated and for ease of comparison, the historical figures shown in the graph have also been updated

Q3 2023 P&L FX impact vs Q3 2022

Avg. rate	Q3 2022	Q3 2023	Movement
AUD	1.707	1.890	-10.7%
DKK	8.422	8.625	-2.4%
EUR	1.133	1.157	-2.1%
NOK	11.986	13.016	-8.6%
SEK	12.343	13.339	-8.1%
USD	1.104	1.225	-11.0%

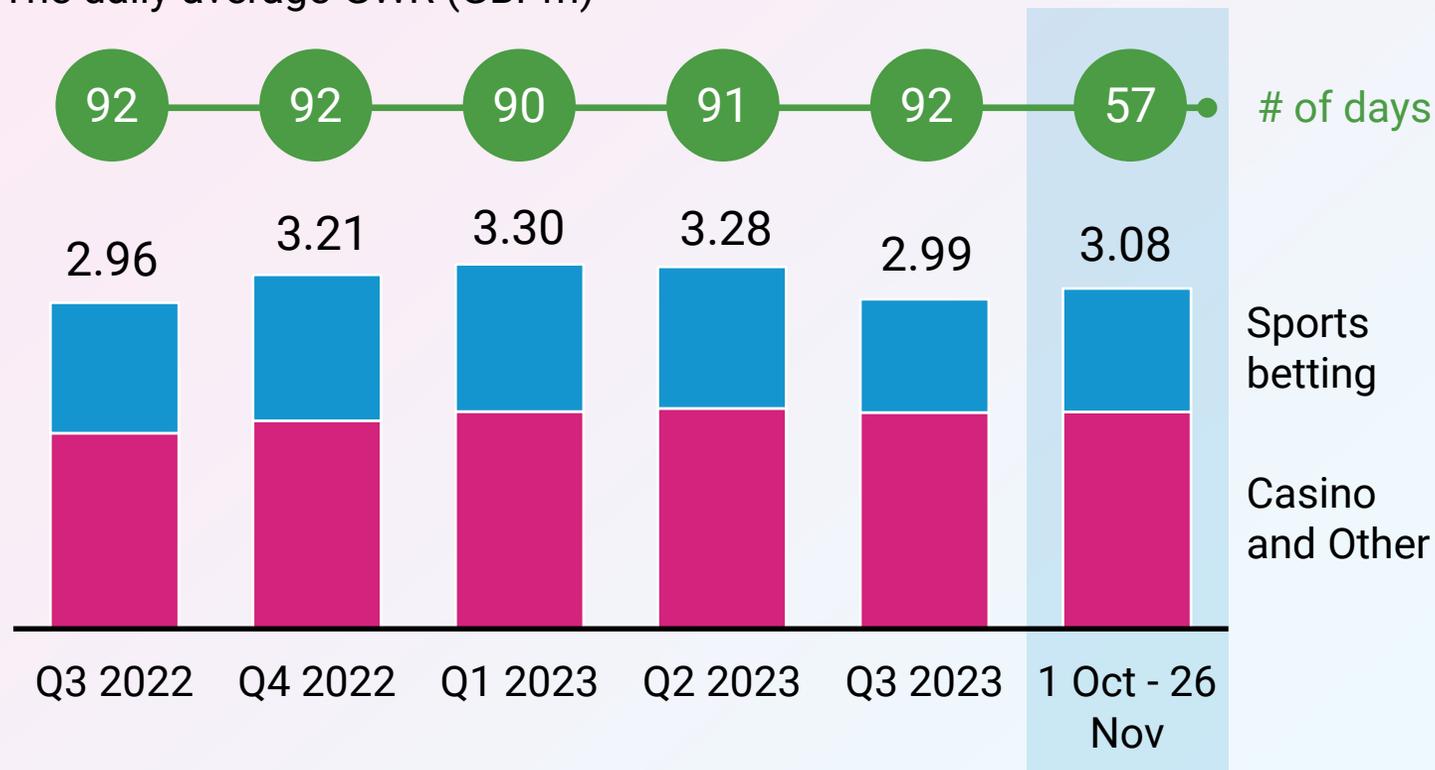
	GBPm
Revenue	-4.0
Cost of sales / Opex	5.7
Underlying EBITDA Q3 2023	1.7
FX loss on operating items	-1.1
Other items below EBITDA	0.3
Profit after tax impact Q3 2023	0.9

Weighted average movement of FX rates had a negative impact on GWR of approximately 2 per cent

Adverse sport results in the beginning of a seasonally busy quarter

TRADING UPDATE FOR THE FIRST 57 DAYS OF Q4 2023

The daily average GWR (GBPm)



- The average daily GWR (B2C only) for the Group up to and including 26 November 2023 was:
 - GBP 3.08m, 4% lower (3% lower in constant currency) than for the full Q4 2022
- Sports betting GWR during the trading update period negatively impacted by
 - A broad run of customer friendly sports results, resulting in a weak sports betting margin (after free bets) of 8.6% for the full trading update period, which is significantly below the long-term average of 9.7%

Strategic review update

Interim strategic review update in three parts

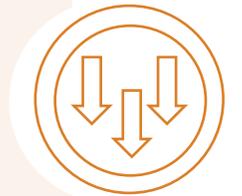
NORTH AMERICAN EXIT

Controlled exit from North America



COST BASE REDUCTION

A leaner organisation and reduced non-headcount opex to increase scalability



GROWTH INITIATIVES

Focused efforts to deliver further market share gains in growing core markets



Controlled North American exit and increased focus on existing core market footprint

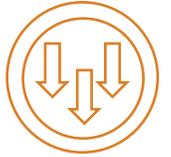


Exit rationale

- Negative cash contribution today undermines opportunities for value creation in core markets
- Highly competitive market pushed out meaningful profit contribution beyond an acceptable time frame
- Re-allocation of resources enables increased focus on existing core market footprint, where we see more attractive return on investment prospects

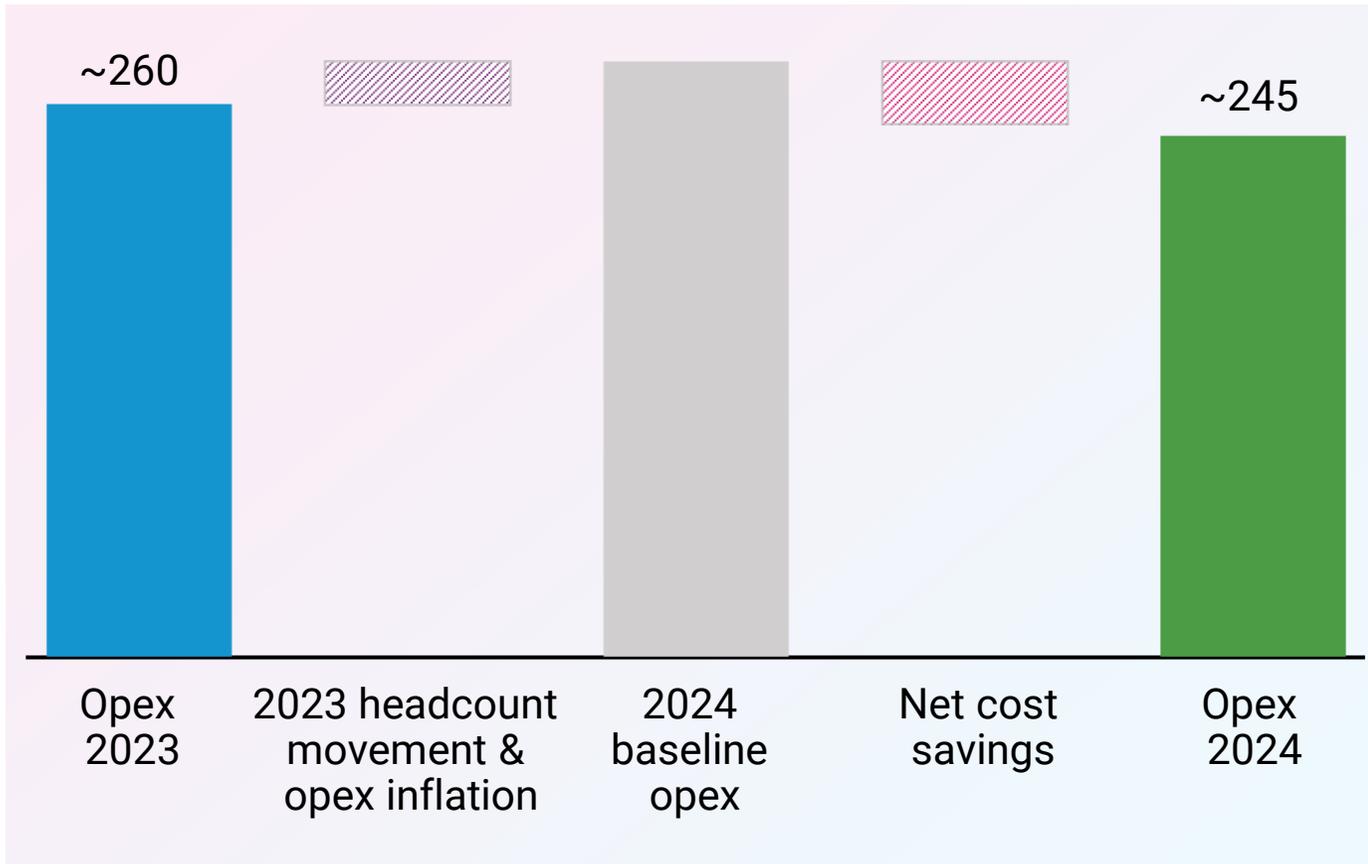
Timeline and financial implications

- Expectation to have operations fully exited by the end of Q2 2024, subject to regulatory process
- Usual running costs in each respective state up to the point of closure
- Improved EBITDA for the Group. During first three quarters of 2023 underlying EBITDA losses amounted to GBP 17.1m



Decisive actions taken to reduce cost base

INITIATIVES WILL RESULT IN A GROSS ANNUALISED COST SAVING OF APPROX. GBP 40 MILLION



- Cost base reduction will result in a leaner organisation and release resources for select growth initiatives
- Cost reductions include:
 - Current global headcount reduction by over 300 roles during 2024, including North America
 - Relocation of some roles to low-cost locations and continued investment in select growth initiatives
 - Additional non-headcount related opex savings
- Expected annualised gross cost savings (opex and capex) of approx. GBP 40m

Untapped growth potential across core market footprint



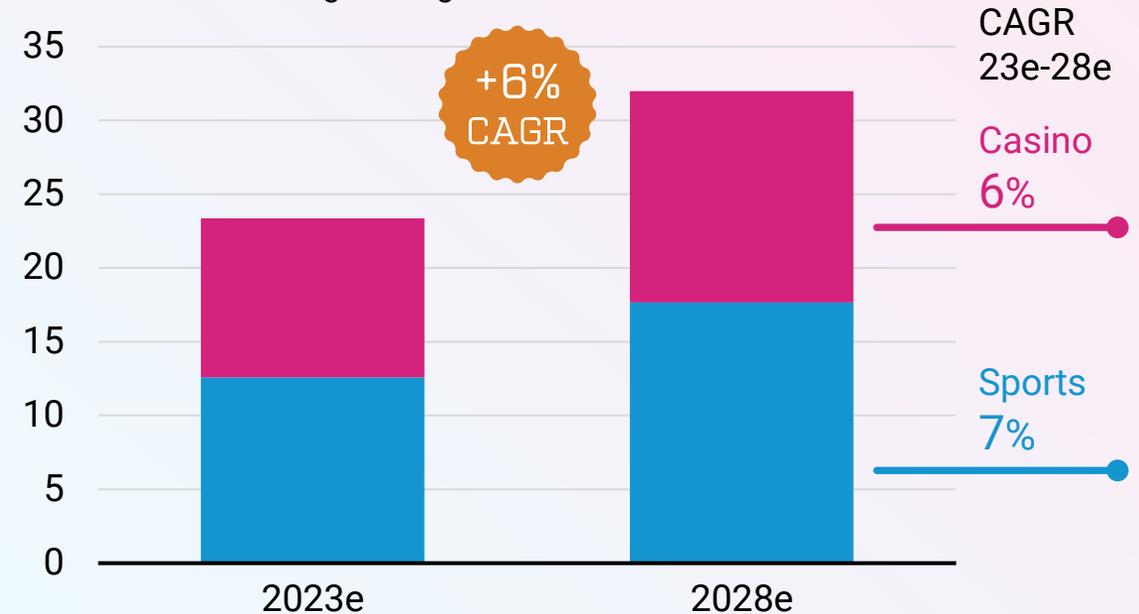
SEVERAL GROWTH INITIATIVES UNDERWAY TO FURTHER CAPITALIZE ON MARKET PROSPECTS

- Kindred's total addressable core market estimated to show a CAGR of 6% 2023-2028
- Improved resource allocation and narrower geographic spread strengthens ability to capitalize on core market potential through additional growth initiatives
- Growth initiatives to drive further market share gains are partly well advanced and include:
 - **Accelerating growth of the casino vertical;** brand extension in selected markets, several product launches scheduled for the coming year, further investments in exclusive content
 - **Building Kindred's profitable customer segments;** Optimisation of reward strategies and increased marketing investments in our core markets
 - **Implementing operating model cost efficiencies;** Commercial re-organization and re-allocation of tech resources

Solid estimated market growth in core market footprint

Sport betting + Casino market size, core markets* (GBPbn)

Kindred's total online gambling market share in 2022: 4.1%



* Core markets include: Australia, Belgium, Denmark, Estonia, France, Italy, Netherlands, Romania, Sweden, UK, and .com core markets

Source: H2GC

Strategic actions expected to drive significant shareholder value

North America exit

Controlled operations exit during H1 2024, subject to regulatory process

Streamlining of cost base

Improve scalability through cost reduction across the organisation

Core market focus

Accelerate plans to enhance growth across all core markets during 2024

Underlying EBITDA for the full-year 2024 estimated to reach GBP 250 million assuming long-term average sports betting margin, with further upside from annualised cost savings

Summary

A leaner organisation firmly focused on growth in core market footprint

Active customer growth and solid casino performance during a quarter below expectations

Revenue growth of 2%, tempered by soft sports betting activity and margin and regulatory measures in select core markets

Underlying EBITDA impacted by revenue shortfalls but mitigated by cost optimisation efforts

Underlying EBITDA of GBP 42.6m and continued drive for efficiencies as revenue shortfall put temporary pressure on scalability

Relax Gaming continues to grow from strength to strength

Revenue increase of 27% with an underlying EBITDA contribution of GBP 5.9m

Interim strategic review update in three parts

Indicative guidance for the fiscal year 2024 to reach an underlying EBITDA of GBP 250 million

In the midst of a seasonally busy quarter

Reiteration of underlying EBITDA guidance of at least GBP 200m for the full year 2023, assuming a normalised sports betting margin in Q4

Q&A



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Calendar



7 February 2024

Q4 2023 will be published at 7.30 CET



24 April 2024

Q1 2024 will be published at 7.30 CEST



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THANK YOU