Gambling.com Group
Second Quarter 2023 Earnings
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<u>Presenters</u>
Peter McGough, Vice President, Investor Relations
Charles Gillespie, Co-Founder and Chief Executive Officer
Elias Mark, Chief Financial Officer

<u>Q&A Participants</u>
David Bain - B. Riley Securities
Jeff Stantial - Stifel
Barry Jonas - Truist Securities
Ryan Sigdahl - Criag-Hallum
Clark Lampen - BTIG
David Katz - Jefferies
Chad Beynon - Macquarie

Operator
Greetings, welcome to Gambling.com Group's Second Quarter 2023 Earnings Conference Call. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. If anyone should require operator assistance during the conference, please press "*", "0" on your telephone keypad. Please note, this conference is being recorded.

I will now turn the conference over to Peter McGough, Vice President of Investor Relations. Thank you. You may begin.

Peter McGough
Hello, everyone, and welcome to Gambling.com Group's second quarter 2023 earnings results call. I am Peter McGough, Vice President of Investor Relations. I am joined by Charles Gillespie, Chief Executive Officer and Co-Founder; and Elias Mark, Chief Financial Officer.

The call is being webcast live through the Investor Relations section of our Web site at gambling.com/corporate/investors, and a downloadable version of the presentation is available there, as well. A webcast replay will be available on the Web site after the conclusion of this call. You may also contact Investor Relations support by emailing investors@gdcgroup.com.

I would like to remind you that the information contained in this conference call, including any financial and related guidance to be provided, consists of forward-looking statements as defined by securities laws. These statements are based on information currently available to us and involve risks and uncertainties that could cause actual future results, performance, and business prospects and opportunities to differ, materially, from those expressed in or implied by these statements.

Some important factors that could cause such differences are discussed in the risk factors section of Gambling.com Group's filings with the Securities and Exchange Commission.

Forward-looking statements speak only as of the date the statements are made and the company assumes no obligation to update forward-looking statements to reflect actual results, changes in assumptions, or changes in other factors affecting forward-looking information except to the extent required by applicable securities laws. Please also see our references to forward-looking statements in the related presentation and press release.

During the call, there will also be a discussion of non-IFRS financial measures. A description of these non-IFRS financial measures is included in the press release issued earlier this morning, and reconciliations of these non-IFRS financial measures to their most directly comparable IFRS measures are included in the appendix to the presentation and press release, both of which are available in the Investors tab of our Web site.

I'll now turn the call over to Charles.

Charles Gillespie
Thank you, Peter, and welcome, everyone. Today, we reported phenomenal second quarter results, including strong year-over-year revenue, adjusted EBITDA, and free cash flow growth. These results demonstrate our ability to win with our business model and regulated markets around the world at all stages of their development.

The record results are just an early example of Gambling.com Group's bright near and longer-term future, as we further leverage our excellence in SEO and our proprietary data science systems to deliver consistent growth, healthy margins, and great returns for our shareholders.

I'll provide a bit more color on our growth opportunities in a moment but at the outset, I want to highlight that these opportunities reach beyond just new states coming online in North America.

While North America is already our largest revenue contributor and we are still in the very early stages of realizing our scale and potential in the market, our near and long-term growth profile is not solely dependent on when new states will come online.

New state launches will surely be added to our business, but we also expect to continue to gain market share in existing states, benefit from the development of our new media partnerships, and realize the near and longer-term benefits from the launch of our new premier brand, casinos.com.

I would like to also highlight that as online gambling markets mature, the importance of performance marketing solutions increases for two reasons.

First, consumers become more selective and need more help. Secondly, operators begin to exhaust the capacity of their lowest-cost acquisition channels. Broadly speaking, we expect to have more inventory to sell to operators and for the operators to need our channel more than ever, as markets mature.

You can see that dynamic and the strong growth we continue to generate in the UK and Ireland, markets where we have been regulated--markets that have been regulated for nearly 20 years.

Turning now to some of the highlights for the second quarter results, revenue rose 63% to $26 million, reflecting a 115% increase in North American revenue and continued strength in the UK and Ireland where revenue rose 25%, year-over-year.

We generated adjusted EBITDA of $9.4 million, and we converted a remarkable 91% of our adjusted EBITDA to free cash flow, which totaled $8.5 million in the quarter.

Our ability to consistently generate mid-30s percent adjusted EBITDA margins and convert a high level of adjusted EBITDA to free cash flow reinforces our belief that we have the most attractive business model in our industry.

At the core of our success is our technology-focused approach, which continues to differentiate Gambling.com Group from our publicly traded peers with best in class organic growth.

We expect to continue to drive strong organic growth for the balance of 2023, resulting in another year of record financial performance, including improved year-over-year profitability and continued robust free cash flow generation.

Since our last call, we now know that Kentucky will launch sports betting on September 28th. Therefore, we are now including Kentucky in our guidance. We expect that the next state to launch after Kentucky will be North Carolina. While we suspect this will be during Q1 of 2024, we do not yet have any certainty about the launch specifics and therefore, North Carolina will remain outside of our guidance until we do have such specifics.

Elias will give a full update on our raised guidance, later in the call. But I am delighted to say that we now expect to deliver at least $100 million in revenue in 2023.

Looking at the second quarter results in more detail, we benefited from unseasonably strong growth in US sports betting NDCs. Excluding this atypical outperformance, our results would have still exceeded consensus estimates.

Beyond the strength in US sports, we also profited from continued strength in iCasino revenues in the US and in other markets. We delivered over 91,000 new depositing customers for our online gambling operator clients, an increase of 60% over Q2, 2022.

Our growth in NDCs is driven by our continuously improving ability to capture high-intent traffic and leverage our proprietary technology and data science systems to monetize this traffic through our expanding portfolio of websites. We're very pleased to have officially launched casinos.com on July 17th as a new powerhouse brand.

Our long-term vision for casinos.com is for it to be the category-defining destination for the regulated global casino market. We expect to accomplish in years with casinos.com, what we accomplished in a decade with gambling.com, and I'll have a bit more to say on casinos.com at the end of the call.

On an operational level, we remain focused on optimizing the positioning of our websites and leveraging our BI capabilities to widen the execution gap that we have created versus our peers. We will continue to, prudently, invest to improve the performance of our websites and our media partnerships to maintain industry-leading organic growth rates.

Finally, the BonusFinder acquisition has consistently outperformed our expectations since we acquired the business in early 2022. In order to accelerate the realization of all potential synergies from this successful acquisition, we negotiated and agreed to a final deferred compensation arrangement in a fixed amount of EUR18 million in exchange for the early termination of the earnout period.

With that, I'll hand the call over to our CFO, Elias Mark, for a more detailed review of second quarter results and our increased guidance.

Elias Mark
Thank you, Charles, and welcome, everyone. As Charles mentioned, we generated another quarter of record financial results. Revenue increased 63% to $26 million, compared to prior year, or 60% in constant currency. The increase in revenue was driven by strong growth in NDCs in North America, the UK and Ireland, and the rest of the world.

New depositing customers in the quarter grew 60% to more than 91,000. As Charles stated, second quarter results would have exceeded consensus expectations, even without the tailwinds from unseasonably strong NDC generation in US sports.

We expect to deliver a strong third quarter in line with market expectations, despite not modeling the benefit of the seasonally aided typical outperformance from the second quarter to carry over into the third quarter.

Cost of sales during the second quarter from our media partnerships and the subscription business of RotoWire.com amounted to $0.9 million versus $0.5 million in Q2 of 2022.

Total operating expenses were $24.3 million, an increase of $6.7 million. Total operating expenses included $6.1 million of fair value movements in contingent consideration related to the BonusFinder acquisition.

Adjusted for fair value movements, adjusted operating expenses were $18.3 million, an increase of 23%. The increase was primarily driven by additional headcounts across our marketing, products, sales, technology, and finance functions.

Amortization expense decreased to $0.4 million as short-lived assets from the RotoWire and BonusFinder acquisitions are now fully amortized. For the full year 2023. We expect to incur amortization of approximately $1.9 million.

We continue to hire, selectively, to drive continued organic growth. At the same time, we expect operating leverage from revenue growth for the full year to outpace growth in operating expenses.

And we expect to continue generating substantial free cash flow, as our business model enables strong free cash flow conversion, which was approximately 90% of adjusted EBITDA in the second quarter.

Net income totaled $0.3 million, or $0.01 per diluted share, adjusted for fair value movements in contingent and deferred consideration. Adjusted net income in quarter was $6.5 million, and adjusted earnings per share was $0.17 per diluted share.

As a result of the early termination of the BonusFinder earnout, there will be no related fair value movements in future periods.

We generated second quarter adjusted EBITDA of $9.4 million, compared to $3.6 million in Q2 of last year. This 161% growth represents the leverage we gain as our top-line growth outpaces spending growth. Adjusted EBITDA margin was 36%, compared to 23% in the second quarter of 2022.

Total cash generated from operations of $4.6 million increased from $3.4 million in Q2, 2022, driven by the strong year-over-year revenue growth, partly offset by the earnout payment for the BonusFinder acquisition.

We generated second quarter free cash flow of $8.5 million, and we continue to be positioned to entirely fund our organic growth initiatives from operating cash flow, while continuing to generate positive free cash flow.

Cash as of June 30th, 2023 was $31.3 million, and $2.3 million quarterly sequential decline, primarily reflecting the owner payment for BonusFinder's 2022 performance.

Turning to outlook. We expect to see typical seasonality in the third quarter, reflecting the lighter sports calendar in July and August, followed by the launch of the autumn sports season in September on both sides of the Atlantic. This includes the start of NFL and college football, as well as the commencement of European football leagues.

Our strong second quarter results underscore the fact that demands of performance marketing services in the online gambling industry remains strong, and our unique offerings are even more valuable to operators, as they progress towards delivering profitability.

We continue to monitor consumer behavior closely and, as or now we, have not seen any signs of pullback from consumers. Given these factors and our strong Q2 performance, we're increasing our 2023 full-year revenue and adjusted EBITDA guidance.

The new ranges are for revenue expected in the range of $100 million to $104 million, compared to the prior range of $95 million to $99 million. The new range represents year-over-year revenue growth of 31% to 36%.

We now expect adjusted EBITDA to be between $36 million and $40 million, compared to our earlier expectation of $33 million to $37 million with a new range representing year-over-year growth of 49% to 66%. Assuming the mid points of our revenue and adjusted EBITDA ranges implies a full-year adjusted EBITDA margin of 37%.

Our updated 2023 guidance assumes that Kentucky will launch on September 28th. Beyond Kentucky, our guidance assumes no benefit from additional market launches or acquisitions over the balance of 2023. Our guidance for 2023 now assumes the EUR/USD exchange rate of 1.095.

We repurchased 77,683 shares at an average price of $9.83 in the second quarter. We continue to have 8.9 million remaining on our 10 million authorization, and we'll continue to, opportunistically, repurchase shares when we believe it represents the best use of capital, is in shareholder's best interest, and we are able to be in the market.

And finally, following the successful follow on offering of $4.9 million secondary shares by certain free IPO shareholders which, of course, did not increase the shares outstanding, but did increase the free flows, we are pleased to have an expanded shareholder base and improved daily trading liquidity.

With that, I will turn the call back to Charles.

Charles Gillespie

Thank you, Elias. Before opening up the call for your questions, I'd like to review in a bit more detail several of our current growth drivers. Our operating model is expected to continue to drive strong performance with attractive adjusted EBITDA margins and strong free cash flow, as we execute on our many growth opportunities.

These include continued organic market share growth in North America and the benefit from new states that will come online such as Kentucky in September, and our home state of North Carolina, where online sports betting was recently approved.

We expect NC to go live in 2024, but do not have any specifics at this time. While North America already represents our largest reporting market, 43 states have yet to regulate iCasino, and 21 states have yet to regulate online sports betting.

While expansion of regulated online gambling in the US still grabs the most headlines and the majority of investors' attention, the opportunity for sizable new regulated markets outside of North America and Europe is compelling and remains underappreciated.

For example, Brazil has issued a provisional measure to regulate sports betting and is nearly at the finish line for complete regulation. We expect Brazil to be a major global sports betting market if the regulations are finalized and enacted.

We are also excited about the potential for Japan to become one of the largest regulated online gambling markets in the world should regulatory efforts there breakthrough.

We also have a significant longer-term opportunity from last month's launch of casinos.com. With more experience buying and selling these superstar gambling domain names than anyone in the world, I consider casinos.com to be the single most desirable domain name in the industry for a performance marketing company such as ours.

We will continue to develop casinos.com with our well-honed playbook of best-in-class content and precision digital marketing, we remain highly confident that casinos.com can be established alongside gambling.com as another powerhouse international flagship brand.

Today, casinos.com is designed for high intent, icasino players. In time, we expect to develop the brand into a best-in-class recommendation engine for everything casino related.

I remain very excited about the significant potential of our relatively new media partnership initiatives.

As previously discussed, we have partnered with two of the largest newspaper organizations in North America and recently announced our first international partnership with the Independent, one of the UK's largest digital media publishers with a reach of nearly 21 million unique monthly users.

Our UK websites have been delivering NDCs at record levels, and we see this new partnership with the Independent as a great way to further that performance in what remains the world's largest single-regulated online gambling market.

At present, we are very focused on being ready for the launch of the fall sports season in the US, and I'm most excited about ramping up our flagship media partner asset, the USA Today website.

Our continued strong growth in the UK and Ireland is an often overlooked dynamic of our business. An important part of our growth in established markets is due to the simple fact that these markets, that as these markets mature end users of online gambling services become more sophisticated, picky, and promiscuous, resulting in increasing amounts of new of demand for new online gambling accounts.

In parallel, performance marketing partners become increasingly critical to operators and their ability to attract new players. For example, while we estimate that NDCs referred through performance marketing channels account for less than 10% of U.S. operators' customer databases, in the UK, that percentage is 20% to 40%. We are confident that, over time, North American market will mirror the same dynamics that exist in the more mature European markets.

Hopefully, this review of our many growth drivers provides you with more perspective on why I started the call today, noting that our phenomenal second quarter results are just the start of what we expect Gambling.com Group can, ultimately, achieve.

We have never been more excited for our near and long-term prospects and look forward to continuing to review our successes with you. I will end by once again thanking the brilliant team at Gambling.com Group for their exemplary efforts in delivering yet another record quarter.

Before we open up the call for questions, please note that management will be presenting at the following conferences in New York in September: the Citibank Global Technology Conference on September 6th and 7th, the BTIG Game Day Conference on September 13th, and the B. Riley Consumer Conference on September 14th.

With that, we'd be happy to open up the line for questions, over to Sheri, the operator.

Operator
Thank you. If you would like to ask a question, please press “*”, “1” on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press “*’, “2” if you would like to remove your question from the queue. And for participants using speaker equipment, it may be necessary to pick up your handset, before pressing the star keys.

We ask that you please limit to one question and one follow-up question. One moment, while we poll for questions.

Our first question is from David Bain with B. Riley Securities. Please proceed.

David Bain
Awesome, thank you, and congratulations on the 2Q results. First, I guess, Elias, you touched on seasonality a little bit, but can you remind us in a typical year, extracting state expansions or, you know, big website launch or whatever, on a per quarter basis, how do you seasonally weight, or what do you see typically?

Elias Mark
Yeah, so if the first quarter and the fourth quarter are always the seasonally strongest, in a normal year, the second quarter and the third quarter should be of roughly similar size. This quarter, as we touched upon, we saw outperformance in US sports, which is seasonally untypical. So, if you look towards the third quarter, we believe that street consensus expectations are reasonable and the balance within our full-year guidance would follow into Q4.

David Bain
Okay. And then, you know, have the amounts paid per either online sports or iCasino NDCs been changing at all, and have the preferences by books for either CPA or hybrid or recur, has that moved at all or can you mostly, you know, at your scale kind of create that mix on your own?

Charles Gillespie
Hey, David, very broadly speaking, I'd say rates are roughly stable. There's been no meaningful increase or decrease. We've been kind of at scale in most of our main markets for some time now. There's increasingly the capability from US operators to do more than pure CPA deals, so that gives us simply more options than we had in the past. So, I think we'll gravitate somewhat in that direction.

But you know, we have a very strong use on those three models, and that is that any one of them can be the best. It all depends on the details, which operator, which market, which product, are they good at retaining the customer, what's the competence in the counterparty that they're going to remain in business, etc.

There's a lot of things that go into these, especially the estimates of player lifetime value, over time.

So, you can arrive at a conclusion which says that that's a great idea or a conclusion which says you should take the CPA. And we do the math and we pick the one which is, in our view, going to put the most money in the company's pocket.

Operator
Our next question is from Jeff Stantial with Stifel. Please proceed.

Jeff Stantial
Great, thanks, good morning guys, nice quarter. Starting off here on the North American market. There's been a good deal of news flow these last couple of months, the most recent one being the partnership announced between Penn and ESPN. Just curious how you see the level of competition between the various operators trending, so we kind of head into NFL season and into 2024, and sort of what are the immediate P&L implications for the affiliate model.

Charles Gillespie
Yeah. I think, look, I mean, it's a huge deal, right, everybody's been waiting on ESPN to do something since 2018 and finally, they have. I think, in general, it's really positive because it's the world--worldwide leader. It's the biggest name in sports in the United States. So, now that they've done something, it kind of further destigmatizes the industry.

The stigma had already more or less totally washed off. But this is another very meaningful step in the right direction for the industry kind of going fully mainstream. ESPN with Penn, they're going to have to spend a lot of money acquiring customers, as any new operator would, especially an operator that's set such high expectations for themselves.

So, clearly, this means more demand for affiliate services. The implications with Barstool are also pretty fascinating, but they have essentially kind of come off of the map. They're not supposed to take any revenue in from gambling companies. So, they're not really--they're not going to be competition. So, we see it as pretty universally positive and exciting.

Jeff Stantial
Great. That's really helpful. Thanks, Charles. And then moving to guidance, looks like the midpoint of full-year EBITDA guidance assumes a slight step down in the second half versus first half. Just to be clear, is that mostly reflecting some of the state launches in Q1, Ohio and Massachusetts specifically? Is this more seasonality-driven, a bit of both? Then Elias, can you just help us understand how much Kentucky is contributing to the revenue and the EBITDA guidance raise that you announced? Thanks.

Elias Mark
Yeah, it's a combination of two things. As you mentioned, in Q1, we had two major launches. And the second component is the unseasonably, untypical outperformance that we saw in U.S. sports in the second quarter. The raising of our guidance is partly on the back of that performance that we saw in Q2 and partly on the back of the Kentucky launch. And if we are to quantify the outperformance that we saw that was outside of our normal expectations, that's roughly 2.5 million in the second quarter.

Charles Gillespie
And Kentucky's going to launch at the very end of September. So, virtually all the benefits from Kentucky will fall into Q4.

Operator
Our next question is from Barry Jonas with Truist Securities. Please proceed.

Barry Jonas
Hey, guys. Ohio just raised its gaming tax. Curious if that has had any indirect effect on you guys so far, or if you would expect anything there. Thanks.

Charles Gillespie
It's definitely not helpful. Obviously, when the states raise the tax rates, it directly impacts the operators and essentially how much a player's worth to them. It doesn't get directly passed on to us, but it's not a helpful dynamic either. But at the same time, our rates and relationships and everything else in Ohio remain extremely healthy. It's not having any sort of material impact.

Jeff Stantial
Great, that's helpful. And then I guess just sort of a high-level question on the M&A environment, just curious how you'd characterize the pipeline here and your appetite at the moment.

Charles Gillespie
The pipeline is very good. We've got lots of conversations happening at the moment. There's been a few new things which have entered the scope of what we are considering. So, as ever, really busy spending a lot of time on it, doing a lot of work. And I'd be hopeful that we'll be able to announce something, not imminently, but assuming these conversations go well over the next six, nine months.

We obviously have the balance sheet to do something, and that's the purpose of our cash, is to enable us to take on the right M&A opportunity when the stars line up. But as ever, we are super picky. We're not going to do a deal just to do a deal. We'll walk away from any--a great deal for a number of reasons. We can grow this business without M&A, as we are demonstrating every single quarter. So, for us to pull the trigger, it's got to really pass all the tests.

Jeff Stantial
Great, Thanks a lot, a nice quarter.

Operator
Our next question is from Ryan Sigdahl with Craig-Hallum Capital Group. Please proceed.

Ryan Sigdahl
Hey Charles, Elias, nice job, guys. Curious how the media pipeline looks like, internationally. You have the independent, but as you look at whether it's the top 10 or whatever the right number is, but what type of opportunity is there?

Charles Gillespie
I think there's a lot of opportunities there. I mean, obviously, there's a lot of markets around the world that have regulated online gambling. If you think about the U.S., we're in a good place, right. We've done two of the biggest media partnerships that have ever been done in the U.S. So, we're not really looking for a third.

In the UK, we're now in a very good place. So, to the extent we did anything else, it would probably be in a third market. But at the same time, having announced so many important media partnerships, we are now very, very focused on simply delivering for our partners. So, there's really no rush to do another one, and internal teams are very focused on simply executing on the partnerships that we've got.

Ryan Sigdahl
And then you mentioned Kentucky North Carolina, but Vermont, Maine, also coming here, you have the bet state domains in both of those states. Curious, are those included in the guidance, and how do you think about those albeit relatively smaller market opportunities?

Charles Gillespie
So, our view is that we talk about, and we enter these states where we think there'll be a viable market, where there's multiple operators, reasonable taxes, etc. At this point, we don't think those states will have any meaningful impact on our North American business, and if that changes in the future, we'll talk about it some more.

Ryan Sigdahl
Great. Thanks, guys. Good luck.

Operator
Our next question is from Clark Lampen with BTIG. Please proceed.

Clark Lampen
Thanks, morning. I wanted to start with the North American iGaming commentary that was in the presentation deck. It sounds like performance has been improving and you guys are capturing some share. Could you share a little bit more around what's sort of driving that strength and how you're thinking about momentum for that business in the back half of the year?

Charles Gillespie

Sure. Yeah, so, in our heart of hearts, we're casino people. We like to pursue the online casino performance marketing business, before the sports betting performance marketing business. But of course, in the U.S., you've had many more states regulate sports betting than casinos, somewhat kind of ironically for us. When we broke through in the U.S. we broke through with sports betting.

We had--we created a very nice sports betting business for ourselves before casino really gained momentum. And finally, this year, both in Q1 and Q2, we've kind of broken through on the casino side. So, that's really New Jersey, Pennsylvania, and Michigan.

And what's changed is we've simply been able to capture this high-intent traffic better than we did in prior quarters. So, that means better search rankings, better conversion rates, better engagement and more inventory, if you will, to sell to the operators.

Clark Lampen
That's super helpful. And I guess as we think about sort of the drivers of improved guidance over the balance of the year, Charles, in your prepared remarks, you sort of talked about share and media partnerships as important sort of contributors alongside new launches. Could you help us think about maybe what's sort of embedded or contemplated for the back half from a directional standpoint, maybe as it pertains to share and operator spend? Is it expected to be stable, increasing? Any color there you could provide would be useful?

Charles Gillespie
Yeah, I think it's--I think it's fair to say that the overall proportion of revenue that is coming from media partnerships, we would expect to increase the second half of the year. We're at this kind of funny point in the year now where you're pretty close to football season, but football season hasn't started. You've done all this work to prepare for football season and you think it's going to work.

You're--you don't have any concerns about anything, but it's not done until it's done. So, we kind of joke that this is the point of maximum uncertainty, as you've done all this work. And that's really true of media partnerships. We've done a lot of work with USA Today and the rest of the Gannett properties and, of course, our valued partners at McClatchy. And we think we're in a really great position for the start of NFL. But we'll only rest once we've seen the numbers come through.

Clark Lampen
Thank you.

Operator
Our next question is from David Katz with Jefferies. Please proceed.

David Katz

Hi. Morning everyone. Congrats on the quarter. So, what I'm wondering about is, as we look at the U.S. and the growth in sports betting here, what have we learned so far about how that correlates with your specific growth in the U.S.? Is there a calculus that we can understand a little bit better and track as we see that grow, and how that ties into you?

Charles Gillespie
I think, if you're going to try to draw some lines between us and the operators, it'd be far easier to do it on the revenue side, of course. There's a lot of things that affect each individual operator's profitability, which have nothing to do with us. But broadly speaking, if the operators are doing well and growing, I think you should expect the affiliates from a--at least a revenue perspective to be doing well and growing, as well.

But generally speaking, long term, we expect that to kind of outpace the operators. We expect the affiliate proportion of the overall sales and marketing expense from the operators to increase, over time. And therefore, if the overall online gambling market in North America is growing at X, we'd expect our essentially North American TAM to be growing at something faster than X.

David Katz
Right X plus, got it. And my other question is, when we look at the population of players--and again, I'm a bit more U.S. focused--and we think about the mix of operators out there, conventional wisdom for any business would suggest that the smaller players are smaller-scale and you get to charge more, whereas the bigger players tend to bring scale and get more of an efficiency discount. Is that the case with you ,and is that something we should be thinking about given the sort of ins and outs that we've discussed today, over the recent past?

Charles Gillespie
It is and that's fair. It is our experience that, if you bucket the operators often to kind of Tier 1, Tier 2, Tier 3, based on market share, it's the Tier 2 and Tier 3 operators, which are most keen to work with us. They're the ones that are willing to invest not only the money but the time to put campaigns together that perform, that have high conversion rates. They've got more incentive to make the affiliate channel work than the big guys who are already market leaders.

David Katz
Got it. So, the best outcome is a mix of operators and a distribution.

Charles Gillespie
Definitely. And we haven't--we're not really seeing this at the moment in North America, but you've had a couple of new operators enter the fray. So, you've got fanatics coming, you've got ESPN, Bet coming. It is our view that there will be many, many more operators that enter the fray in the U.S., especially as more states regulate casinos. On the casino side, it's not so difficult to set up an online casino.

You need a brand, a bit of software, customer service. It's--but you don't have--it doesn't have to be this enormously expensive capital expenditure exercise. We've seen, for years, operators in Europe stand up online casino brands without crazy amounts of investment and very sharp precision digital marketing, and, therefore, succeed and have nicely profitable businesses.

So, there will be a point in time in the U.S. market where we finally see this kind of next wave of operators entering, which is bringing more kind of experience on the digital marketing side versus unlimited amounts of capital. And they will have reasonable market share and profitable businesses in our opinion.

And again, that's really an online casino kind of opportunity, more so than sports betting. Sports betting, of course, lower margin and kind of more expensive to run properly. But we are, of course, still of the opinion that we will get many more online casino states in the US.

David Katz
Perfect. Thank you, very much.

Operator
Our final question is from Chad Beynon with Macquarie. Please proceed.

Chad Beynon
Hi, good morning. Nice quarter. Thanks for taking my question, Charlies and Elias and Pete. Wanted to ask first, just on the $18 million pound termination fee that you talked about, and I believe also you might have the final payment for RotoWire. So, as we think about some of these cash outflows, how does this kind of shape how you guys are thinking about share repurchases leverage, anything else on the capital allocation? Thanks.

Elias Mark
So, with the early termination of the BonusFinder, that uncertainty of future cash outflow from investing activities has been replaced with certainty, what will be paid. It’s $18 million of final consideration of which $5 million was paid in July. So, there is a further $13 million that will be payable at the end of April, next year. And we are able to settle up to 50% of that in ordinary shares.

So, that kind of gives you certainty on the cash outflow side. We continue to generate very strong free cash flow. And we have over $30 million in the bank. So, there is excess capitalization that can be used for either M&A or share repurchases. And we remain opportunistic and pragmatic about both of them, and we'll carefully consider capital allocation, depending on the M&A pipeline and other things.

Chad Beynon
Okay, thank you. And then just as we're now in kind of the post-white paper world in the UK, you continued to show very strong growth. I think most of your partners over there had already

adjusted their websites and kind of all the affordability checks ahead of this. So, it doesn't seem like there was a major change.

And you obviously talked about gaining market share as a goal, as the market growth has slowed. But can you talk about anything else that you're seeing kind of near term in the market, post white paper, maybe with some of these tier two, tier three operators? What point will the UK and Ireland's growth start to look more, I don't know, more normal instead of kind of hypergrowth that you're publishing. Thank you.

Elias Mark
I can take that one. I think you're right in that the operators in the UK have adjusted their processes and procedures. So, it's very much business as usual and any negative impact had been pricing in pre-issuance of the white paper. You're right, that we've been driving outsized growth in the UK and Ireland in the past six quarters now. That pace can't continue forever as we are entering into harder comps in the third and particularly, the fourth quarter.

So, we do expect that growth rate to slow down, but we expect the strength and the momentum in the UK and our business to continue.

Charles Gillespie
And the media partnership with the independent will be a big part of how we continue to drive growth in the UK.

Chad Beynon
Thanks, guys. Appreciate it.

Operator
We have reached the end of our question-and-answer session. I would like to turn the conference back over to management for closing comments.

Charles Gillespie
Thank you, again to everybody, for joining us, today. We appreciate your support and interest in Gambling.com Group. We've had a strong start to the year and expect more of the same solid performance for 2023. We look forward to updating everyone again when we report our Q3 results in November and, hopefully, we can see many of you at G2E in early October. Goodbye.

Operator
Thank you. This does conclude today's conference. You may disconnect your lines at this time, and thank you for your participation.