GVC Holdings plc

Interim Results 2020

13 August 2020

Transcript

Barry Gibson: Good morning, everyone. I'm delighted to welcome you to the interim results presentations of our financial year 2020. I'm going to be joined later by Shay and Rob Wood. I'm particularly delighted to have Shay with us this morning. This is his first presentation as the group's new chief executive. First of all, I would like to make a few comments about recent news flow and the direction of travel of GVC. The group has traded strongly throughout a challenging period, which is a testament to the character and the depth of our skills amongst our colleagues. We are in a very strong position going forward, both as an underlying business, and also from the strength of our balance sheet and the liquidity we have in place. With our world leading platform, collection of the finest gaming brands in the world, and world-class propriety technology, we're ready to build on our strengths.

Secondly, I want to reiterate the background to the CEO change. When Kenny called me to discuss his future plans he explained that having commuted down to London from his home in Scotland for some 13 years, and during that time, of course, he led GVC from small beginnings into one of the world's leading betting and gaming businesses, and onto the FTSE 100. Having had some four months at home have given him pause to reflect. He felt that he was now ready to move on, and importantly, Shay, who has been working with him as his potential successor for a number of years, was now ready. And in very Kenny style, he asked that that change happened as swiftly as possible.

The board had several discussions considering various options and came to the relatively quick and unanimous decision that it would ask Shay to take on the role of CEO. As many of you know, Shay has been COO for four years and has already had most of the business reporting into him, including the US, mergers and acquisitions, and technology. In fact, almost all of it, save for marketing, finance, and the secretariat. He has a very strong industry background, he's well-regarded across the industry as the brightest technology star, and I had worked with him, so I knew him previously in my role at Playtech. Under Shay, GVC has an extremely talented pool of people, particularly in our top team, and I'm confident that the company will continue to flourish and develop under his leadership.

Thirdly, I'd like to touch on the announcement we made on the 21st of July regarding the HMRC investigation into the Group's former Turkey facing online gambling business. The letter from HMRC arrived out of the blue on Monday the 20th of July. Other than cooperating with a production order that we'd received in November 2019 related to a third party payment services provider who had provided payment processing for us in Turkey, we had no prior knowledge of HMRC's intent and had been fully cooperating with the production order on the basis that the group was a witness. We are continuing to cooperate fully with the inquiry and are making every effort to engage with HMRC to understand better the full nature of their inquiries, and to bring matters to conclusion as swiftly as possible, and we will update you as soon as we are able to. I stress that all of this relates to a payment services provider unconnected to GVC in any other way other than providing those services to us. GVC, of course, sold the Turkey facing business in 2017, and GVC is a very different company today.

Barry Gibson: We have a new management team. We have a strong, independent board, all of whose tenure is four years or less. I joined the company at the end of 2019, taking on the chairman's role formally at the end of February this year, and along with my board colleagues and the executive group, we have a very clear agenda to ensure the GVC operates to the highest standards of corporate governance. We also have a very clear agenda to be the world's most responsible betting and gaming company. That means good governance responsibility being in our DNA and a natural part of our everyday thinking, and in all that we do. I chair a committee that has oversight of our plans to make this happen, particularly as we progress towards the review of regulations in the UK and other countries in which we operate. The board is comfortable that we have all the key elements of good governance in place that benefits our position as a FTSE 100 company. We have relocated our base of management control to the UK and can confirm that we pay all of our taxes as appropriate here in the UK.

As I say, GVC is a very different business today, with responsibility underpinning all that we do. As you'll hear from Rob, GVC is in a robust financial position, despite the significant impacts of the cancellation of sports events and the closure of our shops for a significant period. We're already seeing a steady return of sports events and the reopening of the High Street, albeit with restrictions, and we are encouraged by the early performance. We will, of course continue to adhere to government advice and a conscious that we are by no means out of the woods yet with the potential for further lockdowns in many of the countries in which we operate. With that in mind, at our meeting last week the board did consider an interim dividend. We concluded that, with ongoing uncertainty, it would not be prudent to return to pay a dividend just yet. However, we are, of course, cognisant that dividends are important for our shareholders, and we'll consider them with future results announcements.

We have many opportunities to deliver significant value for all of our stakeholders, whether that be our customers, our colleagues across the world, the communities in which we operate, and in delivering sustainable and progressive returns for shareholders. That means that, beyond the impacts of COVID, the new GVC can look forward with excitement and confidence. And with that, I'll then hand you over to Rob and then Shay, who will take you through our financial performance for the half, as well as talking a bit further about the key priorities ahead. And of course, I'll join them when we take questions and answers at the end of Shay's session.

Thank you….Rob.

Rob Wood: Thank you, Barry. Good morning, everyone. I'll be taking you through highlights of our H1 results and, needless to say, we're very pleased with our strong performance, especially in online in what, of course, was a very turbulent period for the business. Let's turn firstly to slide six, the group income statement. As we set out in our trading updates on 16th of July, our group NGR was down 11% in H1, of course, due to retail closures. Online NGR growth, however, was very good, at 19% or 21% on a constant currency basis, and Q2 became the 18th consecutive quarter where we've posted double digit growth, and we did it with double digit growth in all our major territories despite sports cancellations all around the world. UK retail and European retail were, of course, materially down as our shops were closed for most of Q2. UK retail was down 53% and European retail down 48% for the half.

Rob Wood: However, as a reminder, we did have strong momentum in both businesses coming into the COVID period, as you can see with the numbers halfway down on the right hand side of the slide, and I'll give a little more colour on each business later on. Group EBITDA for the half came in at £349 million, which is at the top end of our guidance, and that's down only 5% on the prior year, which I think is a remarkable result in the circumstances. I'm also pleased with our cash generation in the half. We reacted quickly to the pandemic with careful cost and cash containment measures, and we ended the half improving net debts, despite the pandemic, by £137 million, excluding FX movement. Lastly, leverage ended the half at 2.9 times on a post IFRS 16 basis, which is a very similar level to 2019 year end, and a positive result in the circumstances.

On slide seven, as usual, we've laid out the bridge between EBITDA in H1 last year and the EBITDA we're reporting today. And as you can see, online added £136 million of year on year EBITDA, which is an increase of 53%, or even 59% if you adjust for the final quarter of last year's UK tax rise. UK and European retail were, of course, down due to closures, and we've also suffered a £14 million EBITDA reduction in non-core businesses as a result of COVID, in particular in our small financials business, Intertrader, where we booked £9 million of assumed bad debts, and also our four greyhound tracks are still close to the public, and hence profits are down there. However, despite the challenges, the strength of the contribution from a much larger online business more than compensated, and underlying group EBITDA, excluding regulatory impacts, was up 7% year on year.

Turning to our online division on page eight now, and most pleasingly we continued our market share gains again, and grew double digits again, both in aggregate and across all our major territories. Total online NGR was up 19% for the half, or up a very strong 21% on a constant currency basis. I do just want to reference the exceptional sports GGR margin over the half, which was two percentage points above expectation, and that was mostly for one off reasons like favourable results or changing product mix due to COVID. In the top right of this slide, you can see the very good revenue growth numbers in all areas, including the UK at plus 22%. So, our UK growth certainly benefited from strength in our bingo brands, but our sports brands were also in double digit growth over H1, whilst we expect many other sports brands will have declined. Australia also perform particularly strongly, with NGR up 43%, as horse racing survived throughout the period, and our Ladbrokes and Neds businesses continue to outpace the Australian market. Our businesses in Germany, Italy, and Georgia also performed very strongly as we consolidated our leading positions in those markets.

Some other call outs for the first half, we think our product and brand diversification are key drivers of our out-performance as we're able to give customers many different entertainment choices, whether it be e-sports, or bingo through Foxy, or poker through our growing PartyPoker business, and we saw strength in each of new customer signups, reactivated players, and increased spend per head from existing customers. New customer signups grew to roughly double normal levels at points during Q2, but typically the bigger growth driver was reactivated and existing customers. There's no doubt retail closures contributed to each of those drivers, although conclusions from analysis on the benefits of retail closures do vary brand and by territory.

Rob Wood: Moving down the P&L, contribution margin was 42.9%, and that's up 3.3 percentage points year on year due to marketing savings. Our marketing spend dipped below 20% in H1, which is over four points lower year on year, and then that benefit was partially offset by a lower gross profit margin driven by mix impacts. So for example, Australia was a bigger part of the mix in H1 this year, and Australia has a below average gross profit margin, and therefore it drags down the overall margin. Traditionally, our marketing rate is lower in the second half of the year, but with sports now largely back, we will want to continue pushing for market share gains, so do expect a higher marketing rate in the second half. In terms of full year contribution margin guidance, I'd expect us to land in line with our original guided range of 40 to 41%. Within that, our marketing rates should be slightly favourable, but our gross profit margin will be slightly adverse due to these mix impacts.

Operating costs are 4% lower, primarily thanks to synergies from the Ladbrokes Coral integration, and we're on track to hit full year guidance here as well which, as a reminder, is low single digit deflation. Finally, EBITDA, you can see it was up 53% year on year in the half but, of course, we did benefit very materially from strong GGR margins and the low marketing rate. As a result, operating leverage went through the roof in H1, but do expect that to settle down for the full year to our original guided level of early 40s as we ramp up marketing investments in H2. And so far so good for online in H2. Our online revenues are still around 20% ahead of pre-COVID levels, but trends do continue to cool off, particularly in gaming.

Moving on to UK retail on slide nine, we saw NGR down 53% in H1, of course, heavily impacted by shop closures from 21st of March. As we've mentioned before, UK retail performed particularly strongly in the period up to closures, with NGR down only 5% despite Q1 being the last quarter to absorb the impact of the triennial review changes. Then as sports were cancelled and our stores closed during Q2, our focus was on managing costs and preserving cash. And as a result, UK Retail costs were down 38% in the first half, and this tight cost control, as well as the benefit of furlough receipts in particular, meant that we were able to keep all of our shop colleagues and we kept them on 100% pay as well. Then as soon as we were permitted to open, we opened 100% of our shops on day one, which is testament to the hard work and forward planning of our retail teams. And now we're pleased with trading results so far.

We do remain cautious on the outlook, there's plenty of uncertainty out there, but volumes are now within 10 to 15% of pre-COVID levels, with strength, particularly in gaming machines and SSBTs. We think footfall it is likely to be down materially more than 10 to 15%, but our regular customers, our highest spenders, are largely back, and pleasingly our older customers have returned as well, which of course was a key concern before shops reopened. EBITDA ended at £8.3 million for H1, but of course we expect to see much better EBITDA in H2. And just on future shop closures, we're sticking with our BAU processes. We said pre COVID in March that we expect to close 2 to 3% per annum in ordinary circumstances, and whilst COVID may increase this number a little bit for 2020, we don't expect material changes.

Rob Wood: Similarly to UK retail, our European retail division on slide 10 was also heavily impacted by shop closures. NGR was down 48%, and we achieved partial mitigation through a 23% reduction in operating costs. Our recent trends have also been encouraging. Volumes are within 20% despite restrictions still in place, and our estates are back to profitability. Of the three territories, Italy is fairing the best, closer to UK levels, but Belgium and Ireland are a little further behind, not helped by restrictions in Belgium and the cancellation of the Belgium football league.

Onto the detailed finance slides now, and these all follow the same layouts as my previous results presentation, so hopefully they're straightforward to follow. Looking at the income statement on slide 11, I'll pick out a couple of items for you here.

Firstly, depreciation. That's up 12% year on year as we continue to invest in important business drivers, but full year guidance of broadly flat year on year is unchanged because H2 should be lower year on year as we lap some accelerated write-offs before last year end. Financing costs were down £9 million year on year due to the benefits of refinancing our term loans in 2019 and early 2020. The adverse effects movement of £132 million that you see here, that's entirely due to movement in the Euro to Sterling exchange rate and its impact on the translation of our Euro denominated debt. So it's non-cash, and remember our operational cash flows serve as a hedge, and we have a translation hedge as well through the carrying values of our overseas businesses, which gained £170 million in the half, but that gain gets booked to equity rather than the income statement. Under separately disclosed items we've reported here a £19 million impairment to our small financials business, Intertrader, where we're more bearish on the outlook, and we booked bad debt provisions, as I mentioned earlier.

The last big number is a credit of £147 million, and that's broken out for you on the next slide. Hopefully the layout here on slide 12 is familiar and the numbers are clear. Just a couple of new items to flag. Firstly, the large credit in the tax row at the top. This, of course, relates to the UK VAT claim. You'll remember on 21st of May we announced that the outstanding VAT case had come to a conclusion and we've now formally submitted our claim. And we still expect to receive net proceeds of approximately £200 million later this year. And secondly, I'll call out the adverse movement in fair value of contingent consideration of £23 million. This is the flip side of strong performances from both our Crystalbet and PartyPoker businesses, because the earn-out provisions increase as well.

Moving on to the cashflow now on slide 13 and, really pleasingly, you'll see we were able to deliver free cash flow of £172 million, despite the impact of COVID-19. Clearly, most of that was delivered in Q1, but we did also beat our target of trading at break even on a cash basis during the lockdown period, and that was thanks to both out-performance on cost mitigation, but also the strength of our online revenues. And beating that break-even target is something that internally we're very proud of.

Okay, I'll touch briefly on net debt now on slide 14 before ending on regulatory updates and full year guidance.

Rob Wood: Jumping to the result, this slide shows that we maintained net debt at broadly the same level we started the year at, at £2.16 billion, and that's despite the adverse FX movements I mentioned earlier. As a result, the net debt-to-EBITDA leverage is 2.91 times at the half year on a post IFRS 16 basis, it's lower on a pre IFRS 16 basis, and it would also be lower excluding the impact of FX.

So 2.9x leaves plenty of headroom against our financial covenant, which is currently set at six times, following the relaxation that we achieved in Q2. And our objective here remains to manage our leverage down to below two times over the medium term. From a liquidity perspective, you can see we ended the period with accessible cash of £347 million, and our revolver is undrawn. You can see we have ample liquidity to capitalise on opportunities as they arise.

Moving on to regulatory updates on slide 15, in Germany, we continue to see regulators working towards issuance of both betting and gaming licenses. There continues to be uncertainty around timing and the nature of any restrictions that come with those licenses, but we do appear to be getting closer to getting some certainty.

For example, we know that the new tolerance policy has been proposed in relation to gaming, which of course means we'll be eligible for a license in future, which is the most important thing, but the tolerance criteria could be quite strict and could bring forward restrictions, which impact performance across the market. The positive for us though, is it would accelerate that certainty and the sustainability of our German revenues. And we understand the German Gambling Council is due to discuss tolerance criteria this week, so we'll watch out for news on that front.

In the UK, we're steadily moving towards a review of the 2005 Gambling Act, which we fully support as the right course of action. We expect that DCMS will start the review process in the autumn, and then any legislation will then come into force over the following 18 to 24 months. But in the meantime, there's no resting on our laurels. We continue to treat responsibility and improving player safety as one of our top business priorities, and more on that from Shay later.

Otherwise, there's not much recent news in either Brazil or the Netherlands, and we expect to be licensed in both of those territories during 2022.

Lastly from me, guidance on slide 16. The first thing to say is we did withdraw our guidance in the wake of the pandemic, but after the encouraging performance in Q2, I'm pleased to reinstate it with much of it unchanged. Our detailed online and cash guidance at the bottom of this page is virtually unchanged from March other than just to reflect FX impacts. Also, our U.S. guidance that you see here is a repeat of our announcement on the 8th of July.

So I'll focus on the new updates at the top of the page and, in particular, our full year guidance on EBITDA, where we expect to deliver somewhere in the range of £720 to £740 million on a post-IFRS 16 basis, on the assumption there are no further big disruptions to the group in H2.

Rob Wood: £720 to £740 is ahead of current expectations. Consensus currently sits round £715 million before today. Worth noting that within that guidance, we've accelerated synergy delivery, bringing forward £20 million out of 2021 synergies into 2020, which is a great achievement from the integration team as they continue to beat every milestone date. But that synergy upside is offset by one-time COVID related impacts on our non-core businesses, in particular Intertrader and our Greyhound stadium, as I mentioned earlier.

We also expect net debt to reduce year on year, helped by the UK VAT refund, which would then leave leverage broadly unchanged from the prior year. So, in summary from me, all things considered, I think we've delivered a strong performance in the first half, and we expect our momentum to continue into the second half of the year as well. With that, I'll hand over to Shay.

Shay Segev: Thank you, Rob. And good morning, everybody. As you have heard, despite the extraordinary circumstances, our quarter two result are a reassuring set of numbers that gives us a great foundation to move forward with confidence. It is a testament not only to the strength of our business model and the resilience of our brands, but also to the dedication and quality of our people.

For those who don't know me, I am Shay Segev, the new CEO of GVC. I've been with GVC for four years as COO, running pretty much all the operational aspects of the business, including the U.S. and M&A. I've been around the industry, almost my entire working life and have a particular passion for, and expertise in, technology. Today, I'm excited to be leading GVC, and I would like to thank Kenny for leaving the business in such a good shape and with so many opportunities ahead.

GVC is in a strong position and we have four clear strategic priorities set out on slide 18.

One, market leadership in the U.S. Two, further organic growth. Three, new market opportunities. And four, creating a sustainable business by leading on responsible gambling. If we deliver on these, the potential is phenomenal. And we will deliver on these because GVC enjoys significant competitive advantages.

In our industry, as in many, technology is a powerful enabler. We are the only operator that owns its own full technology stack, which is almost impossible for others to replicate. Moreover, GVC has a great entrepreneurial culture. We have the best people in the industry, combined with our operational excellence, customer-centric approach and diversified business model with an unmatched winning formula. This creates significant benefits for all stakeholders: safe and enjoyable entertainment for customers; enjoyable, engaging and rewarding environments for colleagues; benefits for the communities in which we operate through sponsorship, education and donation; as well as driving value for our shareholders.

Shay Segev: Moving on to slide 19. As someone with a strong technology background, I cannot emphasise this enough. Technology is central to everything we do. And so, owning the technology is critical to our success. In terms of customer experience, owning the entire technology stack enables GVC to deliver a better experience throughout the entire customer journey. GVC customers enjoy better and more relevant marketing, better and more relevant player experience, and better and more relevant content. This all leads to better retention. Our technology also means we have more sophisticated systems that proactively prevent, recognise, and address harmful behaviour.

On an operational side, owning our own technology enables us to deliver at speed. We're able to deploy into new markets quickly and cost effectively, and we are able to innovate. The world moves fast in the technology space, and owning our entire stack allows us to innovate more quickly because, unlike our competitors, we do not rely on third party relationships. And we have demonstrated with our results we are performing better than our peers in most markets. This is no coincidence. Our superior technology is a key driver and will continue to be our competitive advantage. With every investment GVC makes in its technology, we create more space between us and our competitors, as we leverage that advantage and colonise greater market share.

Turning now to one of the most important priorities and the one I feel most excited about, the U.S. Whichever way you slice and dice it, the U.S. opportunity is massive. With regulations in place, we calculate this market to be worth in the region of $20 billion by 2025. And through BetMGM, we reasonably expect to take 15 to 20% of market share. In the sports betting market, we see annual spend per adult of $60, which is similar to the UK and Australia and creates a market size of $13.5 billion. In iGaming, we can see average spend per adult at $110, again, similar to the UK and creating a market worth some, $6.8 billion. I've said it before and I will say it again, together with our partner MGM, we will do whatever it takes to be the largest responsible operator in this growing market. We stand poised to take advantage as and when new states open up.

Let me update you on our U.S. progress. I will expand on these points in the following slides, but the highlights are as follows. One, we have secured access to 51% of the U.S. population and have plans in place to expand this further. Two, we've successfully deployed our proprietary technology, integrated into partner systems and made it relevant to the local U.S. customer. With MGM's market access and GVC's technology, BetMGM enjoys a significant cost advantage, estimated at between 5% to 10% compared to our peers. Three, BetMGM continues to leverage MGM's significant brand value. We have performed strongly in iGaming, and we are leveraging the brand into sports. And four, through our partnership with Yahoo!, Buffalo Wild Wings, Denver Broncos, and others, we have access to millions of sports fans. Additionally, we have access to 34 million potential customers through the M life Rewards Program. To summarise, we've made massive progress and are well set to build our market share.

As you can see on slide 23, we outstrip our competitors comprehensively. No operator has the same set of assets that we have in the U.S. market. And it doesn't stop there. With M life Rewards, we can offer customers unique experiences with access to fantasy sports players through Yahoo!, and we have secured top sport partnership deals. These capabilities more than outstrip that of DraftKings and FanDuel, and reinforce our position of becoming the leading operator in the U.S.

Shay Segev: We now have Sport Book presence in seven states and expect to launch Sport Book and iGaming products in six more markets within the next 12 months. Since sporting events restarted in the U.S. two weeks ago, we have seen a massive uptick in customer acquisition. For example, in Colorado, the volume of first-time depositors has increased three-fold since pre-COVID days. In New Jersey, a large proportion of new sport bettors have crossed over to iGaming. As new states open up, we are ready to launch and capture more market share.

On to slide 25. I can't stress enough the advantages that our unique platform set up provides. As with all GVC brands, BetMGM benefits from our industry leading proprietary technology. Given the importance of the U.S. opportunity, we assigned a dedicated engineering team to customise and localise the U.S. offering, ensuring products, marketing, and customer experience are bespoke to the U.S. player. As in Europe, our superior tech and data analytics have proved that we can deliver higher conversion and higher retention rates, which result in higher return of investment. All of this leads to the best customer experience. Other operators have complex IT infrastructure with third party providers, not only slowing them down, but often getting in the way of great customer experience.

As slide 26 shows, we are smashing it in New Jersey. Today, BetMGM is the fastest growing brand. It can boast almost 20% of the market share, while others have either declined or stagnated. You might see a slight dip in our July iGaming number. This is result of an exciting jackpot win of $3.2 million, which will distort July data. This does not change our direction of travel, and we are comfortable we will retain our market leading position. We are also confident that we will not only replicate, but accelerate the success we have seen in New Jersey across the U.S. as we fully activate our affiliation with Yahoo and M life and unlock our true potential. Our player access is second to none.

On slide 27, you can see that through traditional and direct marketing, we estimate the cost per acquisition of customers to be the region of $200 to $550. But our strategic partnerships enable us to access and convert customers much more cheaply, between $0 to $150 per customer. This gets us to a blended CPA of $250. As we deepen our existing partnerships and secure others, we anticipate that this cost will decrease further. On this note, we see M life becoming the key for long-term value. Our model shows that between five and 10% of our customer base will come through M life, and these customers will, by their nature, be high value and committed. Our experience shows us that players engaging on multiple channels have higher retention rates and are more valuable. Finally, Yahoo! has 9 million fantasy sports players and over 60 million unique monthly users. We've integrated the BetMGM product seamlessly into the Yahoo! sport app and are looking forward to driving that as sports return.

With the platform in place, partnerships activated, sports returning, and the backing of GVC and MGM, everything is in place to drive momentum going forward. The BetMGM brand is a huge advantage for the JV, creating high value brand exposure. BetMGM is now advertised throughout MGM’s 13 resorts. Through the BetMGM app we engage with the guest during and after their stay. M life has access to millions of players who are now being exposed to the BetMGM brand across the M life programme. Particularly exciting is that BetMGM will now proactively be marketed to M life’s millions of VIPs by the VIP customer care team.

Shay Segev: We are also broadening our sponsorships. Just last week, BetMGM signed an exciting agreement with NBA to be the exclusive provider of odds for their new telecast NBA BetStream. This give us a real ownership of betting in basketball. Our affiliation will provide valuable brand exposure and drive customer acquisition.

On to slide 29. I thought I would show you some of the branding that is already in place, not just physically inside the MGM properties, but also online, for example, on the M life reward homepage. We're also using MGM properties to promote the brand, particularly in Las Vegas. As of the 10th of August, anybody visiting Las Vegas would have seen this as they landed. You can't miss it. 43,000 square foot of signage over MGM Luxor, possibly the largest ever in the city. This is over half of the size of a football pitch or 15 tennis courts. It demonstrates MGMs pride in, and commitment to, the partnership, and it shows that we mean business.

We must not forget our other growth opportunities to which I'm equally committed. Slide 32 demonstrates that we have a good growth momentum in our core business. 93% of our revenues come from markets that we are growing at more than 10% per year. Let me repeat that. 93% of our revenues come from markets where we are growing at more than 10% per year. And we have delivered 18 quarters of double-digit online growth, and we see that continuing going forward.

You'll see on slide 33, one of the most significant opportunities that we probably do not discuss enough - the number of regulated markets in which GVC does not currently operate. With our technology and our global brand recognition, with Bwin and PartyPoker, we think GVC could triple its size by entering these markets either organically or by M&A. We have a proven track record of buying and integrating businesses efficiently and accelerating their growth. And we have an exciting pipeline of bolt-on acquisitions to enter new markets. Our global platform and proprietary technology positions us well to capitalise on new markets opportunities.

I would like to turn to my fourth priority, which is probably the most important, starting on slide 34. I am committed to ensuring the GVC leads on responsible gambling. It is a commercial imperative, and it is the right thing to do. As an industry leader, it is important that we set the bar high and show the way. I've always said that technology is a powerful enabler, and I believe it is our responsibility to use that technology and our customer data to proactively identify any problem behaviour so we can not only respond more quickly, but put preventive measures in place that address issues before they escalate.

Safer gambling is part of our DNA at GVC. We are committed to change through our global Changing for the Bettor strategy. We were the first to call for a TV ban on whistle to whistle advertising around live sport. The industry followed. We were also the first to commit to increase our voluntary donation to research education and treatment to 1% of UK gross gaming revenues by 2022. And the industry followed. And our partnership with Harvard further demonstrate our commitment to independent research. But I want to take pragmatic approach to this and see us making measurable progress.

As this can be seen in our behaviour during the COVID pandemic lockdown, slide 36 shows how during the pandemic, we continue to invest and improve the policies we have to protect our players. For example, GVC went above and beyond the UK's Betting and Gaming Council's additional safer gambling measure during this period.

Shay Segev: We added further behavioural triggers to check customer's habits of play both pre and post lockdown. We also stopped all of our branded TV advertising and replaced them with safer gambling ones. This was the socially responsible thing, and frankly, the right thing to do. We were pleased to see that the UK Gambling Commission found that there was no increase in problem gambling during the lockdown periods.

To summarise, we are pleased with the first half results we have presented today, especially given the backdrop of the COVID crisis. I will say it again, this is a testament to the strength of our business model and the resilience of our brands, and also the dedication and quality of our people. We have an immense opportunity in U.S. With our high-quality partners, we are on course to unlock real growth, and we are ready to move into new states as they open up. I'm also excited about the growth potential in the rest of the world. With our technology, brands and people, we are the best positioned to succeed. We are committed to lead on responsible gambling. I see this as a commercial imperative and the only way we can truly build a future-proof sustainable business. In short, I am excited about the future and look forward to updating you on our strategy in the months to come. Thank you for listening. I would now like to open it up to questions.

Operator: Our first question comes from Simon Davies from Deutsche Bank.

Simon Davies: Morning, three for me, please. Firstly, in terms of the U.S., you sound increasingly confident in terms of the scale of the opportunity and also your competitive advantage there. You previously guided to expectations of a £40 million loss out of the U.S. in 2020. Do you now think that is enough? Do you think you should be scaling up further? And can you give us a feel for how you think that plays out in 2021, given the number of new State launches you might expect there?

Secondly, just on the other category, fairly significant loss there, any plans to exit any of those businesses? And do you think it's realistic to see a return to break-even levels in 2021?

And lastly, can you just clarify what the furlough funds received were in the first half from UK retail? Thanks.

Shay Segev: Good morning Simon, thank you for listening. Rob, maybe you take the first question and I think it would be best if Barry would speak about the furlough.

Rob Wood: Sure, happy to. Hi, Simon. So yes, on U.S. guidance, £40 million loss for the year, that's just GVC's share, and that's in sterling. And remember also with sport cancellations in Q2, gaming is the dominant revenue stream. And if you just look at New Jersey gaming, and that's a very positive contribution to the business, and the contribution is over 30% margins from New Jersey gaming, hence the loss overall is limited due to that fact. Going into next year, of course, we expect losses to be bigger than 2020, and I think it will be 2023 before we can realistically expect profitability.

Moving on to the other non-core businesses, indeed, the contribution from those businesses in aggregate is 1% of the group EBITDA and yes, we would expect that to continue next year. So no long term effects from that perspective, and clearly a very small part of our group. And just to give the figure on furlough, the figure is £45 million that we're benefiting from.

Shay Segev: Barry, you want to comment on the furlough?

Barry Gibson: And as we said earlier, we're not making any decisions on the furlough money. We still consider ourselves to be in the middle of the COVID pandemic, and we'll review further at the end of the year.

Operator: Our next question comes from Stuart Gordon from Berenberg.

Stuart Gordon: Good morning guys. A couple for me, first of all, just on the synergies, I was wondering if you could talk us through the moving parts in that and just give some colour on the mix of where those synergies will be seen within the business.

Secondly, there was the IAC news with MGM the other day, and I was just wondering if you had given any thought to what role, if any, they could play in the evolution of Roar.

And finally, you've given some clear clarity on the U.S. opportunity and obviously your aspirations within that, but just how will you benchmark the performance against these aspirations? And I'm thinking more in terms of how the trend line will look for that over time. Thank you.

Shay Segev: Great. Thank you. I will take the U.S. questions and maybe touch a bit on synergies and then let Rob elaborate on where it will impact the financials. We made great progress as Rob and I mentioned in terms of integration between GVC and Ladbrokes and the program ran very well. We mentioned it a few times before, that the big enabler of the cost synergies was around technology and the migration into the GVC platform which both unlocked a lot of cost saving, both in terms of direct costs of technology, but also of course, operationally. Also, a lot of the operational functions are now running through single tools. And it has unlocked a lot of revenue opportunities in terms of ending up with a better customer experience.

Rob Wood: The synergies £20 million is an acceleration. So that's sort of the most important point, I set a one-time benefit for 2020, the exit rate is unchanged from our previous guidance of £98 million. Where has it come from? A large part of it relates to migrating onto our own platforms and out of Playtech ahead of schedule effectively. But also there are some benefits across various technology and marketing suppliers as well. In terms of the weighting, because a lot of it related to those migrations and all migrated at the beginning of the year is actually fairly even, H1, H2, probably 60/40 in favour of H2. In terms of where it hits the P&L, it's a pretty even spread between cost of sales, marketing and opex. And I think those are the key points.

Shay Segev: So in term of the U.S. with a very fruitful work with the MGM team, and I think both parties, GVC, which is very much focused on technology and operational skills, and MGM, which bring a lot of the local expertise in terms of market access and in terms of utilising the brands. We have pretty much weekly calls to progress, which I think we demonstrated today a great progress as well. In terms of the prospect for the future, we assume as we show today, we'll take 15% to 20% market share overall, both in gaming and in sports. We would assume again, we want to be conservative, so we assume slow gradual progress that we will see in the months to come. And so I wouldn't assume that you will see a sudden boost. I think already, if you look into the July numbers of New Jersey, there is again, another slight progress that we made both in terms of sports and also in term of iGaming numbers. Again, if you bring back that $3 million of the jackpot win, we actually gained further market share also in iGaming.

Stuart Gordon: Okay. Thank you very much.

Operator: Thank you. We'll now take our next question from Ted Nyhan from JP Morgan. Please go ahead, your line is open.

Ted Nyhan: Thanks guys. A few questions for me on the U.S. You mentioned that you expect 13 states by 2025 to have legislated for iGaming. I'm just wondering which incremental state in particular you had in mind. And second question would be, do you think the expected blended customer acquisition costs for $250 will be leading, leaving aside DraftKings and Fanduel, leading ahead of the rest of the market, and is that by a significant degree? And what are you assuming for the blended lifetime value of those customers that you acquire? And then finally, you expect 5% to 10% of customers to acquired via M life. Do you have an expectation for how much could come through the Yahoo! Sports partnership? Thank you.

Shay Segev: Good morning. So in terms of the first question, the U.S. number of states, I think it's a slide with the list of all of the states. On slide 24, we have a list for the all states that we anticipate launching in the next 12 months. Pennsylvania is one of them, again, it's already live and we expect to get in there. Michigan, it's now it's retail, supposed to go digital as well by the end of the year. Tennessee's is supposed to go, et cetera, you have the full list in the slide number 24.

In term of CPA, currently again, we want to be conservative. And according to the trends we see, we expect it to be in the region of $250 as a mix. Direct marketing is currently probably a bit higher than that, new partnership is of course lower than that. The mix, I think we'll go more to the region of $250 over the long term, and we hope and expect this to reduce over time as well as processes and systems get more and more optimised. It's very hard to say how it will go from there. Remember it's a relatively young market, we've been operating in the U.S. for the last 12 or 18 months or so. New states are opening up. I think we need to be cautious to put more optimistic numbers than that, and we just need to follow. And again, I'm very, very confident that GVC through our expertise in Europe, through our technology, and through the great brands, we got from MGM and the partnership we've signed should be at least as good as others in terms of the acquisition funnel. And if I want to be more bold, I'm even confident we should be even better than others as well through our experience and our technology.

In terms of M life, again, our experience in Europe and specifically in the UK, cross-selling between retail to online, I think it's realistically to aim to five to 10% of online revenues driven by omni-channel customers. I think it's a realistic target. Clearly it will not happen overnight. It will take time to ramp up. We very happy and proud of the progress we've already made. There is a great integration between M life and the BetMGM app already today when you play with BetMGM, the M life program, you're already getting points. Every BetMGM player is now also an M life customer as well. And so this has been completed and we are in the process of monetising and increasing the cross sell. And again, 5% to 10% is realistic. Again, our experience in the UK and I think through other industries as well, is that of Omni channel, multichannel customers are much more loyal and much more valuable, and this is a key asset. And I think it is realistic that on the long term, 5% to 10% of BetMGM revenues would be driven from M life players.

Rob Wood: And just throughout on Yahoo, obviously sports are only just starting to resume, NFL kicks off in September, we just need to give that longer, to get a sense for what that funnel might contribute to the overall picture. So too early to say on Yahoo.

Ted Nyhan: And just following up on lifetime values, do you have a blended expectation for lifetime value, based on the $250 acquisition costs?

Shay Segev: So we clearly see numbers. The numbers are actually quite encouraging. The lifetime value we see in the U.S., in New Jersey and our other states as well is surprisingly higher than what we expected. But I think it's too early for us to basically come with the numbers. I don't know, Rob, if you want to add anything on that.

Rob Wood: No, that's exactly right. If you just based it on what we saw in Q2 with really strong gaming numbers, you'd end up with the phenomenally strong lifetime values, and it clearly won't stay at that level. So no, we need to see the sports season resume, and we'll have a better feel I would suggest by the end of this year and into next year.

Ted Nyhan: Thanks very much.

Operator: Ladies and gentlemen, our next question comes from Gavin Kelleher from Goodbody Capital Markets. Please go ahead. Your line is open.

Gavin Kelleher: Hi, good morning, Shay, good morning, Rob. Just one follow up on the U.S. for me. So far to date, we've obviously seen an improving market share trend in New Jersey and Indiana. Has most of the customer acquisition I'm presuming in both those markets been direct customer acquisition and you have yet to really take advantage of the partnerships, or are partnerships driven any of the acquisition in those states, mainly on the sports side I'm asking about now. And then my second question is in relation to Germany. Obviously, Rob, you hinted on the conference call the tolerance policy. Is there any type of sense you can give for the timing of when that tolerance policy could be introduced, and what the potential financial impact could be based on what you know today?

Shay Segev: Morning, Gavin. So on the U.S., this is correct. Currently most of the revenues is driven from direct marketing on sports. As you mentioned, we are yet to monetise both the Yahoo! partnership and the M life. This is in motion. There is really good progress on that. I would say its probably single low digit in terms of the activation currently. There is a very high commitment, both from Yahoo, there is pretty much on-going works with their teams and our team, Verizon and GVC. And there is on-going great work done as well in terms of the MGM M life team and our team to integrate again the programs together. And we see this gradually increasing. But to your point, we are very far from unlocking this potential. We are confident that this will come in addition to direct marketing, we will see even further their market share grow on our betMGM brand. Germany, Rob, you want to take it?

Rob Wood: Sure, I'll take that. So we understand that the tolerance policy could come in as soon as October. And as I mentioned, we're waiting for news fairly imminently on that. The criteria hasn't been defined yet. So it will be too early for us to try and put a number on the impact. We need to see exactly what the accompanying restrictions look like and then we'll form a view on the impact. So a bit too early, Gavin.

Gavin Kelleher: Thank you Rob. Thanks, Shay.

Operator: Thank you. Our next question comes from Michael Mitchell from Davy. Please go ahead.

Michael Mitchell: Good morning. Morning Shay, good morning, Rob. Thanks for taking my questions. Three if I could. Firstly again, back to your CPA guidance in the U.S. First of all, could you just clarify whether the direct CPA rates that you provided, the $200 to $550, is that current cost of acquisition, or is that what you expect it to be over the medium term? And if it is a medium-term target, could you give us a rough sense of where direct CPA costs are today? Second of all, I wonder, could you just clarify your comments around U.S. cost advantage relative peers. And I think you talked about a 5% to 10% advantage. Maybe you could give a little bit more colour there. And then thirdly in Australia, I wonder, could you just comment on the scope to retain some of these higher value customers that have reactivated through retail through that shut down. Thank you.

Shay Segev: Good morning Michael. So on CPA, I think it's more short, mid term we expect the $250, $200 to 550 through direct marketing. Probably through the COVID periods and through the short term, I would assume, Rob can correct me if I'm wrong, I assume we've seen lower numbers, more in the $200 to $300 I would assume, but we will assume that now with sports resume. And peers would increase their marketing, and competition increases it probably might go to the high end of $500, $550. And over long term, it will all come back to the $200, $250 as we also will unlock the potential of our partnerships.

In terms of our cost advantage, BetMGM enjoys two key advantages. There's many, many advantages in our U.S. business, but in terms of cost: MGM owns some of the properties, which means market access, the licenses are coming to the JV for free, while others have to pay some type of revenue share to license theirs, which clearly hits in the margin. And the second thing is of course, the proprietary technology that GVC provides to the JV, again with a very minimal cost, again, giving the cost benefit as well, where others need to license on third party platforms. So if you add both the licensing costs and part of the technology cost, I think BetMGM as a business will have better margin with at least five to 10 percentage point benefit compared to peers. In term of Australia, I think Rob, you're the best to answer that.

Rob Wood: Sure I'll take that. So I guess the first thing I'd say is that retail closure has inevitably helped, but we still don't believe it's the material driver of the out performance during Q2. And I'll give you an example, in July, 85% of our actives were customers acquired before the closures, and it was a high number if you look at turnover. So inevitably it's helped, but when the Australian business was up in the 70s during Q2 and all but 15% were pre-existed customers, that gives you a feel for the potential retail impact. Albeit, we did see a lot of reactivations, and clearly some of those customers might have been Omni channel customers before. So definitely it helped.

Rob Wood: In terms of what we're doing about it, we already were equipped to get retail type products out there, things like compound products, running doubles, daily doubles, that sort of thing that we didn't have previously. And now the guys there I would say are ahead of the game in terms of constantly refreshing the product with new features, things like extra bet, money back odds, same race multis, there's an awful lot of new activity under the new management team in Australia, which is bearing fruit. And moving Ladbrokes onto the next platform as well. And then we've got coming up the potential opportunity of we've got from the termination of the BetEasy brands, which could create some opportunities for us as well. And so far into Q3, numbers still strong in Australia, despite retail reopening. So we're pretty bullish on the outlook for Australia in the second half of the year.

Michael Mitchell: Great. Thank you.

Operator: Thank you. Our next question comes from Kiranjot Grewal from Bank of America. Please go ahead. Your line is now open.

Kiranjot Grewal: Hi, morning guys. I had a couple of questions. Firstly, is M&A still a priority for the short run given the increased prudence on the balance sheet? Secondly, just on the M life loyalty scheme, it sounds like you're in the very early days of integration. Should we expect benefits from that integration on H2 this year, or is it more for 2021? And just coming back to the IAC stake that they bought in MGM earlier this week, are there any benefits they could bring to your JV in the U.S.? Are you commenting on that? Thank you.

Shay Segev: Morning. So on M&A, it is definitely on our agenda. I mentioned it on my slides as well. We were looking pre-COVID, and we decided that it was not the best timing during the uncertain times to proceed with that, but we are definitely looking to leverage further the GVC competitive advantage in terms of our brands, our technology, our expertise of acquiring and integrated a business and accelerating the growth. The focus is pretty much to enter into new regulated markets that we are not operating in, and there are many. So hopefully we're looking forward to do things soon. In terms of balance sheet, I'll let Rob maybe touch on that. But again we are looking forward to bolt on deals. Rob, you want to touch on it?

Rob Wood: Yeah, no I think you were just about to hit the key point there, Shay, which is the types of deals that we're looking at are really interesting, real opportunity to create value. But they are of the size, which means they don't have material impact on our balance sheet, and you've seen we've got ample liquidity, so there's no constraint there. So we really don't see that our ambition around deleveraging to below two times can't operate in parallel with M&A, and taking advantage there. There we can do both.

Shay Segev: Yeah. And in terms of M life, I would expect to see benefit in H2 already some benefits and definitely through '21 and '22. I did mention already, one of the things we are now doing together with MGM, and the MGM team is that just last week, this has been worked together with MGM VIP Customer Care team. And again, these are the top tier, the most valuable M life customers, and which now with MGM Customer Care Team, we're putting a special proposition for these customers in order to make sure that they are not only loyal to MGM through the BetMGM program, but they also will be loyal for the BetMGM brand as well. And again, as you would expect, as in any business, these are a segment of players that are very, very valuable and very loyal. And we expect them to join BetMGM as well, and be very valuable.

In terms of the integration, I mean, we did already quite a lot of progress integrating the technical integration between BetMGM and M life program. I mentioned some of it in terms of M life players are now being able to get points on their spend of BetMGM, and then you can redeem it with the M life program, free nights and shows. And every player who join now BetMGM, by definition, will also become an M life member, and again, create the overall loyalty in term of more benefits to the brand, which other peers do not have. So we will expect to see some movement in terms of M life contribution to BetMGM in the second half. And I would definitely expect it to see even accelerating and increasing in '21 and '22.

In terms of IAC, I think it's too early. I mean, clearly we are very honoured, and the fact that they found MGM and MGM management as a very attractive business to put such an investment into MGM, it's also a great testament in terms of their belief into, and I think they said it as well in their announcement, they believe in the potential of the digital business of MGM, and specifically the sport betting, and the iGaming business in the US, which of course GVC is a big part of this. I think it's too early to see their involvement there, but I would guess, and expect that I see with their backgrounds in digital businesses and their brands will be very welcomed, and contribute from their experience, and to even help us accelerate the BetMGM story.

Kiranjot Grewal: Okay, perfect. Thank you.

Operator: Thank you. We'll now take our next question from Ed Young from Morgan Stanley. Please go ahead.

Ed Young: Good morning. Thank you for taking my questions. The first one is building on what Ted asked. Perhaps I can ask it in a slightly different way. If I take the midpoint of your CPA partnerships, and for direct or affiliated acquisition, it looks like you're expecting about 40% of the players over the long run to come from these various partnerships, which is coincidentally exactly where FanDuel is now for its DFS database. Given you said M life is 5% to 10%, is it fair to say your expectations are highest for Yahoo in terms of what that could contribute, maybe something like two or three times bigger than what you expect from M life?

Second of all, on Germany, Gav's asked about tolerance policy. I appreciate you don't want to be called on that right now, but if we just look forward to July '21, you said in this statement about getting adequate market access for Germany casino, given it's state by state, what does adequate mean? And more broadly, if we think about the restrictions in aggregate on both product and market access, what do you think the impact in Germany could be?

And then finally, Turkey, obviously you said a little in the statement. I appreciate Barry addressed this at the start, but there are a lot of unknowns in terms of what the impact could be. But could you help potentially quantify it? So what were the groups, revenue, or profits in Turkey through the periods, or was it a subset of that number that's looked at? Anything you could do to help us back, that will be very useful. Thank you.

Shay Segev: Good morning, Ed. So, I will touch on the US, and Rob, will touch on Germany, and Barry and Rob can help on Turkey as well. In terms of the CPA, I mean, we mentioned a blend mix. I mean, it probably will be again ... It's a bit of guess work at this point of time, as things are, again you stated things are opening up, and it's new markets. We definitely have, again, very important assets, and Yahoo! And the M life program. We put an aspiration target of $250 for blended mix for CPAs, and hopefully we can even optimise it further as time will move on, but we want to be conservative.

In terms of, I mean, direct costs, again, going down over time, as well. As markets will progress, more markets will open up. And then our spend, and the peers as well would be distributed into more markets. And then, you would also get the effects of advertising, and one market will also attract players from another market as well.

So I think overall, the CPAs will continue to improve both in terms of direct, and also in terms of the acquisition we're getting through partners. I think we believe that M life is enormous value. We took 5% to 10% coming from M life. This will be a very important segment of players. Again, we are yet to activate not just the direct M life acquisition, but also the Omni channel journey, which could again be a very important competitive advantage that we will have also in the long-term. In terms of players traveling to the Las Vegas strip, as an example, while they stay in one of the MGM properties, download the BetMGM app, being able to play on the property. And then when traveling back, be able to continue being a loyal customer. So I mean, the numbers you put on the mix, I mean, it sounds reasonable for me. I mean, it's something that I think will make sense. I mean, Rob, anything you want to add on this?

Rob Wood: Yeah, I'd just add. Ed I see what you're doing. You're taking the midpoint. I think the $200 to $550, which Shay touched on earlier, is more what we're expecting in the second half of the year. So, you still got New Jersey as a high mix of the overall revenue, and New Jersey will be higher. CPA has been where we'd expect to see other states at. And of course, these are new markets, and so everybody is investing in grow. So I don't think that over time we'd expect the non-partnership route to be at the midpoint of that $200 to $550. I'd expect it to be nearer the bottom end, and therefore, that helps with your mix assessment. So 40%, I'd suggest is too high.

Coming on to Germany, and what are we doing about the potential restrictions on table games. We are in discussions with land-based casinos. We're having to think about things on a state by state basis. And we're also in discussions with regulators. And for example, one of the states have confirmed that they will allow private online casino operators to enter the casino table games market. So it's really on a state by state basis. And clearly we can't assess what the impact might look like at this stage. Barry, did you want me to take the Turkey question?

Barry Gibson: Yeah really, we can't say anymore, frankly, because we just do not know what the revenues they are actually investigating. So, we will come back to the market just as quickly as we can. We are continuing to cooperate, but there's really nothing we can add on trying to quantify what the likely cash impact of this investigation may be.

Ed Young: Okay, thanks very much.

Operator: Thank you. Our next question comes from Monique Pollard from Citi. Please go ahead. Your line is now open.

Monique Pollard: Good morning, everyone. Thanks for taking my questions, three if I may. The first, sorry to go over it again, but coming back to the US CPA. So, you said $250 over time, I was just interested in that as the commentary that you put on slide 21, about the spend per adult in iGaming and sports. Because you said spend per adult from sports being $60, spend per adult from iGaming, $110 per annum. The way I was thinking about that is if you were able to cross out customers sports and gaming, then you'd get a one and a half year payback from acquiring a customer. But likewise, if you pay $250 to acquire a customer, and they only were betting on sports, then it's a four-year payback period. I just wanted to understand if that was the correct way to think about it, and how those paybacks compared to other regions.

The second question was one specifically for Rob on the working capital movement in the first half, obviously really impressive that they weren't working capital outflows, given the environment. When I was looking specifically at your payables, it seems that you've significantly increased the payable days. I was just wondering if you could talk about that, and whether you've renegotiated terms with suppliers.

And then finally, just on your new US sports betting app, which you say is being launched shortly, I was just wondering if we could get a timeline on that, please. Sticking in relation to sports coming back.

Shay Segev: Yeah, okay. Good morning, Monique. So in terms of player value, I mean, this is how we calculated the expected market size. Again, to sports being in proportion, then yeah, you're right. I mean, clearly the player with multi products is valued more than a player who plays single products. So if they are playing both sports and casino, then the average spend is on average higher. I mean currently, I would say, I think you touched on it. I mean currently, we would expect, I would say 18 months probably will be a reasonable ROI on CPAs with what we're currently seeing. I mean, Rob, you want to add anything on that?

Rob Wood: Yeah. I think the key point there, Monique, is that those figures are for the entire population. So, they're not for expected customer value, and you can't really compare those figures with CPA, which obviously is linked to customers rather than the broader population.

Rob Wood: Shall I move onto the balance sheet? So, yup, good observation that payables have gone up, but really there's nothing to it there. There's a couple of things, really. Firstly, the earnout on CrystalBet has moved from being a long term creditor to a short term, because it's now due within 12 months. So if you look across long and short, you'll see a net movement there. And it's just things like customer deposits have got larger as the business has grown. Actually, if you net off creditors and debtors, you'll see roughly £200 million positive, and that's the HMRC receivable. So really, there's nothing underlying. There's not been any change in payment terms, or anything like that. And as you said, it's a working capital, neutral position for the half.

Shay Segev: And to the third question on the new app, I mean, we expect, let's say before the end of Q4, so during the Q4, we expect to gradually launch a single app, which means, once the customer downloads a BetMGM app, they will be able to use the same app and single account in each state, which allows iGaming or sports. And this will be launched gradually, I would say from September through the end of the year.

Monique Pollard: Understood. Okay, thanks, cool.

Operator: Thank you, we'll now take our next question from Ivor Jones from Peel Hunt. Please go ahead. Your line is open.

Ivor Jones: Good morning. In UK retail, you sometimes talk about data on cross-sell. I'm trying to work out how much the business might recover next year. Is there anything from Coral Connect that shows you that its shops have re-opened and multi-channel customers have or haven't put their spend back into shops?

Secondly on the US, I know the market's been very turbulent, but can you tell us if you can see that anybody in the market is using margin odds as a tool for competition? Should we be worried about win margin coming under pressure as a competitive tool?

And finally, if I'm trying to think about value in the US, as the cash you can extract from it, I think you might've told me this before, but can I assume that when it is producing cash, you'll be able to dividend the cash out of it without an adverse tax consequence, if that's how you're going to get value out of it? Thank you.

Shay Segev: Okay. So in terms of UK Connect players, so I think we mentioned, Rob mentioned it on the slides that we see many of the more loyal customers coming back to retail. I'm not aware of a figure for how many Connect player, percentage of that. I mean, I don't know if you're aware of this, Rob?

Rob Wood: No, only that we can see from our Omni channel customers. So whether that's Connect in Coral, or Grid in Ladbrokes, that they are spending a bit more online post-COVID, than they did pre-COVID. But really in terms of that increased spend, it's no greater. In fact, it's lower than the increased spend that we're seeing across our non-Omni channel customers. And so actually, ironically, the Omni channel mix of our online revenues is at best level, but that actually has dropped a bit. So that there's no real evidence of channel shift, certainly not in the data thus far.

Ivor Jones: Sorry, Rob, did you just say that they were spending a greater proportion online, slightly, or they were spending more and a greater proportion online?

Rob Wood: The first one. So, if you just look at their online spend, which obviously is just the mix of their total spend, that online spend is higher post, but the growth in it is no greater than the growth of non-Omni channel customers. And hence, the mix of Omni channel customers has actually fallen off a little bit, but just assume it's flat. So in other words, the benefit that UK retail was strength or in UK digital, I should say, at the moment, we don't put that down to retail migration. And of course, our retail numbers, I've mentioned it earlier, considering some of the restrictions still out there in Scotland, for instance, the numbers demonstrate that most of that footfall is already back. And indeed, the UK online numbers have carried on their strength after retail closed. So there must have been some migration, you would assume, but it's hard to see it in the numbers.

Ivor Jones: Great, thanks for clarifying.

Shay Segev: In terms of US pricing, we don't see this going to be some kind of a price war around the best margin, the best pricing in the US. I mean, it's also going against the fact that you want to aim for the recreational players. Usually the players who are looking at the specific small segment of players, looking for the best price, are not necessarily the most profitable ones as well. Specifically, in New Jersey, I would say is in general, I mean, I think we all know that is a more competitive market than others. I think I wouldn't say it's competitive because of pricing, but probably because of bonusing, which is another way you can see it. But we made great progress also to reduce our bonus spend, and to make it more streamlined and efficient this year, which I think it's a great progress of the team. But I don't see pricing as an issue. In terms of tax, or extracting money from the US, I mean, Rob?

Rob Wood: Sure. So I mean, we pay tax on our share of the US results. It's not paid by the US JV, but in terms of future dividends, I mean, we've not got that far yet. The focus is on building the cash reserves in that business to allow it to continue its acceleration, and we'll have to see what corporate structures look like at some point in time when it is sitting on excess cash. So, it is not something we've looked at, at this stage, either.

Ivor Jones: Great, thanks so much.

END