Entain plc

Full Year Results 2020

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Transcript

Jette Nygaard-A – CEO Entain

Good morning, everyone. Thank you for joining us and welcome to our results presentation for the 2020 financial year.

This morning, you will hear from both Rob and I. Rob will take you through the financial performance and some of the key operational highlights, and I will take you through some of my initial thoughts and our strategic priorities, and then we'll have time for Q&A, but let me start with a quick overview.

Since taking on the role of CEO on the 21st of January, I've been busy immersing myself in the business and getting to meet and know more of our people, operations and customers. Of course, as a non-exec director, I already know a fair bit about the business, but once you get inside, there's a whole new level of detail to get to grips with.

There's still much to do in terms of clarifying and delivering on the great opportunities we have ahead of us, and I'll share my thoughts with you over the coming months.

In terms of my initial impressions, we have a great strategy to win, and I'll talk a little more about that later.

As a business, we are in an extremely fortunate position, in that we have what is the industry's best technology platform, and it's all ours. That is a real competitive advantage. Not only does it give us agility and flexibility, but it enables us to react, evolve, and develop to meet the needs of our customers. That's important for us, and I want us to become a much more customer-centric business.

By listening to our customers, analysing the data and delivering what meets their need, be that today or tomorrow as new trends emerge, we can truly revolutionise betting and gaming entertainment on the global stage. And we can combine that with our approach to responsibility and player protection. I'll touch on it later, but we're opening up a whole new era of player protection through our ARC programme.

One thing that the last few weeks have really reinforced for me is the sheer depth and breadth of our talent at Entain. The way we dealt with the challenges last year without missing a beat on our growth ambitions clearly demonstrates the competitive advantage that we have through our people. Retaining, nurturing, and adding to that team of people is a key reason why making Entain a great place to work is an important part of our sustainability charter.

Entain is good at growth, and we have an enviable track record with a strong runway to for further growth, not just through our existing markets, but also as we lift our heads and look beyond to evolving customer dynamics, new ecosystems and opportunities for new customers.

So my initial impression really reinforce the significant opportunity we have to more than double the size of our business and deliver significant value for all our stakeholders.

With that, I'll hand it over to Rob to take you through the financial performance.

Rob Wood CFO & Deputy CEO Entain

Thank you, Jette, and good morning, everyone. I'm going to cover off the financials slightly differently from previous presentations so we can focus on the key numbers today. We've included the usual more detailed slides in the appendix for you to go through at your leisure, and of course, David and Davina, who joined us this week, and Jenn, will all be on hand to help with any questions.

So when I look back across the year, I have to say that the business performed exceptionally well, both operationally and financially. In March, there was a huge amount of uncertainty, but our teams dealt with the challenges. We improved the customer offer, we put increased levels of protection in place, we adapted our shops to make sure they were safe for customers and colleagues, and within days we got our entire office-based workforce working from home effectively.

And all in all, the business performed extremely well, and our results demonstrate that. We've emerged as a winner in online across all our markets, as our diversified product range and proprietary tech stack deliver great entertainment for customers. And that meant that our online NGR grew by 28% to £2.7 billion for the year. We've now delivered 20 consecutive quarters of double digit online NGR growth and have taken share in our key markets.

No doubt lockdowns and strong trading margins helped us in 2020, but if you look over the last three years, our online NGR has now grown at a compound annual growth rates of 20%, and there aren't many businesses of scale growing their top line at that rate.

I'm also delighted to report good EBITDA numbers too. So despite our shops being closed for much of the year, we managed to grow EBITDA by 11% to £843 million, which is at the top end of our guided range. And that EBITDA growth demonstrates both the resilience and strength of our business, and also the swift response from management to mitigate costs where possible.

BetMGM is another highlight for the year, delivering exactly the kind of results and market share gains that we hoped it would do. Revenue for the year reached $178 million, which was well ahead of our guidance when we announced our second tranche of investment last July, and our share of losses were on guidance at £61 million. And you'll hear more on BetMGM later from Jette.

Even after absorbing those BetMGM losses and the retail closures, our operating profit for the year was £530 million, which was up 2% year on year, so still in growth.

On earnings per share, our headline EPS figure, which excludes US losses, was 73.1 pence, which is up 10% on the prior year.

And turning to cash for a moment, we generated another £513 million of underlying free cashflow in the year, which gives us the freedom to invest in growth opportunities, reduce leverage, and return to dividends when the time is right. And just on dividends, you'll have seen by now that the board are not proposing a final dividend for 2020. We would prefer to be prudent whilst our retailer states remain in lockdown, but as always, we fully appreciate the importance of dividends to our shareholders and we will review that position with future results.

Lastly, looking at leverage, we ended 2020 with leveraged down at 2.1x. Now, 2020 was a very positive year on lumpy cashflow items with the VAT refund, no dividends and no significant outgoings on M&A. So the big de-leveraging achieved in 2020 that you see here and that year end position of 2.1x are both materially ahead of expectations, and leverage is likely to go up a bit from here in 2021, before coming back down again thereafter.

So most importantly, we've delivered strong financial results in 2020, and we have the balance sheet to invest in growth so that we keep delivering strong financial results for years to come.

Turning now to EBITDA and a look at how we achieved the 11% growth year on year, and no surprise the answer is online. EBITDA in our online business was up by 50% in 2020. That's an increase of £278 million to £804 million and I'll talk more about how that was achieved in a moment, but going the other way, retail was obviously impacted by forced closures. The decline you see here of £176 million can be entirely attributed to COVID, given we were otherwise expecting a little bit of growth. And whilst we don't expect to recover that lost retail EBITDA in 2021, given Q1 of this year is in complete lockdown as well, we are confident of a strong recovery in retail once shops are permitted to reopen through Q2.

Let's now take a closer look at online KPIs. The left-hand side of this slide looks at 2020 results and the right-hand side shows our thoughts on the outlook for 2021.

So firstly, let me give a bit more color on that stellar NGR growth of 28%. Looking by geography, all of our major territories were in growth over the year, with particularly strong growth coming from Australia and Italy.

From a product perspective, both sports and gaming grew very strongly. Gaming was marginally the better at 30%, with standout contributions from our UK bingo brands, so that's Gala and Foxy, at 40% growth, and Party Poker, which grew by 50%. On the sports side, NGR growth was also very good at 26%, especially when you consider that a whole quarter, Q2, was negative at minus 6% as we lost so much mainstream sport through the quarter.

I do need to call out sports margin as being exceptionally favorable at 12.7% for the year, which is up 1.6 percentage points, which is a very material increase indeed. And there are many different aspects that contributed towards that, including the general trends towards a more recreational customer base, but really, it comes down to two big drivers. One is favorable sporting results, so pure luck, and the other is the prevalence of more retail-type betting within online, so small stake, high return type betting, which must largely be driven by retail lockdowns around the world.

Looking forwards now to 2021, and we continue to see growth, albeit low single digits as we absorb the regulatory changes in Germany. As I said on the 21st of January with our Q4 results, we get to low single digits based on continued double digit underlying growth before Germany, and then Germany pulls us back.

For now, we are seeing that COVID impacts are broadly awash for year on year growth because the Q1 tailwinds that we're enjoying right now will be offset by material headwinds in Q4 as we annualise the 41% growth from Q4 of 2020. As we said in our release this morning, Q1 so far is traveling in line with expectations, which is very good growth, but then we're more bearish on the outlook from Q2 onwards as lockdowns come to an end and retail reopens. Plus, that margin benefit from 2020 is expected to unwind, which will make the margin comparators very tough indeed.

Okay, marketing spend now, and the 2020 result was broadly in line with our original expectations for the year in absolute terms at around £560 million, as those savings from Q2 were reinvested over the second half of the year to maintain momentum. But as a percentage of NGR, the marketing rate was the right side of guidance at 20.4%, but that's just because NGR was so strong.

Looking ahead to 2021, we expect the percentage to be higher, somewhere around 21%, which pleasingly is down on our guidance from a year ago, as we look to reduce our marketing rate over time.

Contribution margin, that ended the year at 41.8%, which is comfortably ahead of our original guidance thanks to the lower marketing rate, but partially then offset by adverse geographical mix because Australia and Italy for example, have lower than average GP margins.

For 2021, we're expecting contribution margin to fall back to the 40-41% range due to both marketing rate and geographical mix, and also because our revenue is now almost entirely from domestically regulated or regulating markets, and the full impact of the Q4 market exits that we announced in November has not yet played through.

For operating costs, we delivered the guided target of low single digit deflation for 2020, as accelerated synergy delivery more than offset underlying inflation. And then looking forwards, we expect low to mid single digit inflation as we continue to invest in key areas and synergy benefits near the end.

In the meantime, we continue to work on cost and efficiency opportunities for 2022 onwards, and we'll update more on later in the year.

Lastly on this slide, EBITDA margin, and 2020 ended very strongly at 29%, but I would consider that to be artificially high, helped by that lower marketing rate. And so we expect it to drop to 28% in 2021, which still puts us firmly on course for the long-term target of 30% EBITDA margin, which I set during our capital markets day back in 2019 when the margin was in the mid-20s.

Let's move on to cash now, and I've set out a simplified cashflow here, which shows that we generated strong, underlying free cashflow at £513 million before BetMGM investment, and leverage is now down to 2.1x. And so that means we have the flexibility to pursue all four tenets of our growth pillar and achieve our medium term leverage targets of 2x, and at the right time, return capital to shareholders as well.

As you'll appreciate, M&A by its very nature comes in lumps, and 2021 will be a year of investment as we complete Bet.pt, we settle the earnout on the excellent Crystalbet business, we continue to invest in BetMGM, and we expect to complete on Enlabs too. So whilst it's great that we generate positive net cash in 2020, as you see here, we will inevitably be negative in 2021 as we expand the business.

And with that, let me update you now and where we are on M&A. And this slide shows on the left the timeline for the last six months of activity, and as you can see, there's a lot going on. In October, we announced the acquisition of Bet.pt in Portugal. We're still waiting on regulatory approval for that one, which should be due soon. In December, we were one of the first global operators to gain a license in Colombia, launching with the bwin brand, and we're well-positioned for further expansion across Latin America.

We're on track to complete Enlabs, hopefully by the end of this month. We raised our offer on Monday of this week and secured further irrevocables after their Q4 results demonstrated great progress and reinforced the strategic rationale of the deal. We also confirmed that we've submitted a non-binding indicative offer for the wagering and media business of Tabcorp in Australia, and that process continues to be at a very early stage. So there isn't really anything to say yet, but we'll update you if there are developments in due course.

Beyond that, we continue to look at a number of other opportunities to take us into the 50 or so regulated markets where we don't currently have a presence, in particular, across Central and Eastern Europe, Latin America, and Africa. And we're also looking at opportunities to expand into new audiences as a core part of our growth strategy, and Jette will talk more about that shortly.

Let me finish now with the usual slide on guidance. It should all be pretty clear we've nothing unexpected. Online guidance on the left is all as discussed earlier, and there's no change to our retail expectations as we plan to get back to within 10% of where we were pre-COVID.

On cashflow, there are a number of items here which should all be familiar but do please check you have them in your models.

A couple of things I will call out. On Austrian duty, whilst that case hasn't been heard yet, we made a payment on account of £69 million in 2020 to reduce the liability and stop interest accruing. And now, the remaining liability as of the end of 2020 is £45 million. So reducing that liability to £45 million should be a positive to your models. We're going the other way because Bet.pt hasn't completed yet, that acquisition cost will hit our 2021 cashflow, rather than 2020.

And also, I mentioned it on our Q4 call on the 21st of January, but do update your effective tax rate assumption to 16% excluding BetMGM, which has increased from 13% previously because of our geographic mix, as our businesses in Australia and Italy have essentially growing faster than others, and they attract a higher rate of corporation tax.

That's it from me. I'll hand you back to Jette.

Jette Nygaard-A...:

Thank you, Rob. You're all familiar with this slide now. We have a winning strategy that sets us up well for success. As you know, I was involved in its creation while a non-exec and I'm excited now to have the opportunity to deliver on it.

Our purpose is clear, to revolutionise betting and gaming to create the most trusted entertainment for every customer.

Every word in that was carefully thought through and important, but there are a couple that I want to pick up on to emphasise our direction of travel.

Revolutionise, so what do we mean by that? Entain has been at the forefront of revolutionising the betting and gaming industry for many years now. It has done that through technology and an entrepreneurial approach that has kept us ahead of the competition time and time again. I'm keen that we maintain that entrepreneurial spirit, even as we grow. Combine that with our technology, we can continue to revolutionise in all our markets.

Secondly, entertainment. I'll talk a little bit more about this shortly, but ultimately, we provide digital entertainment for our customers. We can develop how we do that with our existing businesses, but there is plenty of opportunity beyond that.

And thirdly, customers. Customers are lifeblood and we serve them well, however, I want us to become a much more customer-centric business than we have ever been before. If we put the customer in every conversation, in every development, in every analysis and truly listen and respond to their needs, we'll create an even stronger business.

Sustainability and ESG is very important to me. Our sustainability charter puts us at the forefront in our industry. I don't want to spend time going through it today as we have plenty more to discuss, but our awards for diversity and inclusion, our Carbon Trust recognition and our fabulous Pitching-In programme are just a few of the amazing things we're doing to deliver on our charter. And today we announced that we are taking a leading position in our industry, with a commitment to be carbon neutral by 2035 based on science-based targets.

Technology is our most significant competitive advantage. Our more than 3000 technology engineers are 100% focused on delivering for our customers. It is structured so that developments, changes and enhancements are executed swiftly and available across all our brands at the same time. That gives us the flexibility and agility that others can only dream of. It means that while competitors are negotiating with their providers about a change to catch up with us, we're already onto the next development and the next and so on. It is essentially why the momentum at BetMGM is so rapid and enabling us to move at a faster pace than our competition.

As I've said before, being truly customer centric will really enable us to win. Our technology will be at the center of that, enabling us to personalise our offering for our customers, whether that be product and services, user experiences, or indeed, protection. We also have the added advantage of owning all our data, which we anonymise and then extract behavioral patterns so that we can use data for on parallel level of analysis to learn and further improve the experience for our customers. A good example of that is hyper-personalisation of marketing and the way our self-learning algorithms work with the likes of Facebook.

It is the agility and flexibility of our technology that enables our growth. It enables us to enter new markets with existing brands, such as bwin in Columbia. We can integrate new acquisitions, such as Bet.pt and drive revenue and cost synergies. We can launch in new states in the US, for example, between October and January, we launched in 5 new states with fantastic launches in each. We develop products in-house that give our customers the greatest choice, alongside integrating products from third parties. Our 20 consecutive quarters of double digit online growth have been driven by our technology. It's what supports our leading approach to digital marketing and has meant that we have been able to grow faster than our markets. Being able to move quickly enables us to react to regulatory changes, and often turn them into competitive advantages by rapidly finding solutions and alternatives that work better for customers when our competitors can't. With access to so much in-house technology expertise, we can keep ahead of market developments and power our thinking in terms of new markets and audiences.

This use of data and analysis extends into player protection processes by identifying and leveraging markets of protection to trigger intervention. I'll touch on it more in a minute, but we can increasingly use our technology to move this protection from being reactive to being proactive, and prevent possible problems before they even occur, as we are doing with our ARC programme.

We have also been at the forefront of innovation, and I'll continue to do that, whether it be new products and experiences or how we use new emerging technologies such as 5G and virtual reality. Our recent tie up with Verizon Media to develop thinking on VR is one such example.

And finally, it drives greater efficiency. We get the benefits of scale using a single platform and don't have to pay a third party a revenue share. We can use the considerable research we have to make our operations and processes more efficient. An example of that is bringing the ecosystem and SSBT software used in Ladbrokes and Coral in-house. Not only is that more cost effective, but it enables us to give the customer truly omni-channel experience.

We are great at delivering growth. We have a great track record of doing so, hitting 20 quarters of double digit online growth, and even growing our EBITDA by 11% in a year where sport was curtailed and our retail operations were closed for much of the year. That comes from having a great team and products that customers enjoy, and it comes from having a diversified business. But we also have plenty of runway for further growth and giving our focus on being only in domestically regulated markets, we see that as delivering high quality of earnings than from our unregulated markets. If we exclude Germany, 97% of our online NGR is from markets where we are growing at more than 10%, and excluding the UK, 87% of our NGR comes from markets where internet penetration is less than 35%.

M&A is an important part of our strategic model. We've grown through acquisition and will continue to do so, and Rob has already touched on some of the transactions we have ongoing. While we are disciplined about opportunities, through our technology and product offer we can drive significant costs and revenue synergies. This means that we can deliver significant incremental value through M&A as we've shown with Ladbrokes Coral, Crystalbet in Georgia and Neds in Australia, and expect to do so with Bet.pt and Enlabs.

Then of course, we have the significant opportunity in the US as well as further expansion into the 50 or so other regulated markets where we aren't currently present. Plus, as we look to emerging trends, new ecosystems and audiences, we can position ourselves to take the leading share in markets that will be big.

What I think it's often not fully appreciated is the power of customer loyalty in our business. If you give customers a great experience, give them great offers and products, they will reward you with their loyalty. That gives us a solid base of revenue and higher quality of earnings and profitability from which to grow. As you can see in this chart, each year across the group, we build a bigger, more solid base each year. As we make the business more customer focused and broaden our customer offer to appeal to the mass market, we can strengthen these growing foundations through a more diverse customer base to drive up the size and quality of our earnings.

Digital entertainment continues to evolve, driven by innovation technology, customer trends and behaviors. As it does, that opens up for new opportunities for us. For me, those opportunities broadly come in three areas. Firstly, in our existing markets, we should improve the quality of our earnings by broadening the appeal of our brands to a wider mass market. Make our products fit more of an entertainment category for customers. That doesn't mean abandoning our existing customer base. It's about broadening our brand appeal, product offering and marketing to as wide a group of customers as possible. That does come with lower ARPU for those new customer segments, but across a wider customer base, that gives us a greater earnings quality and helps us diversify regulatory risks. We can also broaden our revenue base through adjacent markets. These include free to play, team play and pay to play, often in casual games. It also provides an economic customer acquisition tool.

And finally, with new ecosystems emerging, there are new opportunities to create new markets for new audiences. This could be around e-sports. Like any new market, this has challenges, so we'll take a step-by-step approach. But let me talk a little bit more about this opportunity on the next slide.

Data on the potential e-sport betting market is emerging all the time, but what it all points to is that the market will be very large. Quite a lot of the research that is out there focuses on the fact that esports participants are more engaged with sports generally, both traditional sports and esports. They tend to be more affluent and want to engage with esports in new and interesting ways. That is why new ecosystems are emerging, and what is encouraging is that 63% of esports viewers were interested in betting, and that is actually a higher number than for traditional sports.

Betting encompasses a number of options, whether that is betting on the big tournaments, betting on outcomes of live streamed play or betting amongst friends. No doubt, just like traditional sports, many more options will emerge as the market evolves. There are a number of elements to the whole ecosystem itself that we'll need to navigate to be successful. For example, engaging partners, media, community, as well as working within the industry on player protection and integrity. Some of these will take time to build and may need us to bring in external expertise. But there are many areas where we can leverage off our existing skills, such as use of data and analysis, innovation and digital marketing. And what it really comes down to is having a strong product and authentic brands. Conservative estimates suggest that the esports betting market is worth somewhere around $1 billion, but it's probably worth more and growing rapidly. If we get this right, we can have a meaningful share of that market and deliver significant incremental value for our shareholders.

One thing is very clear, we do not want customers to come to harm using our products. Our products are fun entertainment, but we do know that like many other products, customers can run into problems so we need to put a careful safety net in place to protect that small group of players. But we must also recognise that customers should have the freedom of choice to enjoy entertainment as they wish, rather than governments dictating how we all spend our free time. One model does not fit all, and that's an important principle to embrace. The good news is that we have some great procedures in place. Through research and data analysis we have identified a number of key markers of protection, such as a customer increasing the frequency of play or chasing losses. We map these to a player safety index, and when these spike, we start a process of intervention from messages all the way through to telephone intervention.

Our follow-up analysis shows that this returns a customer to normal levels of activity, which tends to continue. However, with our Advanced Responsibility and Care programme we are planning to become more proactive. Further research and data analytics help us identify more markers and behaviors that point the way to adjusting what the customer is experiencing in subtle ways that avert the spike altogether. What that means is intervening discreetly by, for example, slowing down play speeds, limiting deposits and so forth. We'll be trialing some of these over the coming months and expect to launch the first phase of ARC over the summer. This is a much more customer centric approach, as the outcome is much more positive for the customer. Now let me show you a video on ARC.

Turning now to the US, BetMGM is demonstrating fantastic momentum. It is growing its market shares in aggregate across the states where it is present. In the three months to the end of January, that is now 18%, and it's opening in new states as fast as it can. It's now operational in 12 states and expects to be live in around 20 by the end of this year. As you can see from the market share chart, there is significant momentum now in BetMGM. We only launched partway through December in Pennsylvania where others have been operating for a little while, but we're growing strongly and by the end of January, already had a 10% share in iGaming and online sports betting of 6%. Given the relative size of market in Pennsylvania, it distorts the data a little while we establish ourselves there. So we've shown with the overall market share data, both with and without Penn(sylvania). Either way, the momentum continues.

In January, we are the number one i-gaming operator across the whole of US, and that includes Pennsylvania. In the online sports betting states we launched in 2020, we're delivering leading market shares hitting around 27% in the three months to January 2021. Across iGaming and sports betting, BetMGM is firmly established as the number three operator in US, but we can see that we are in a good position to challenge for the number two operator.

Just looking in a bit more detail in the three category examples; establish states, online sports betting states we launched in last year on day one, and one of MGM results from states.

As you know, we've taken a strong leadership position in iGaming in New Jersey where we have a 26% market share, a good 10 percentage points ahead of number two and three in the market. Despite starting relatively late in online sports betting in New Jersey, we are already the established number three operator and growing rapidly.

In States where we went live on day one of sports betting such as Tennessee and Colorado, we have taken strong leadership positions. In Tennessee, we had a 35% market share in the three month period to the end of January and are the market leader. In Colorado, we had a 34% market share for the same period. These strong starts came from BetMGM aligning itself behind the launches through the advertising, sports team affiliations, product offering and digital marketing, meaning that we hit the ground running. That sort of campaign has the benefit of creating pent up demand, helping to lower customer acquisition costs.

And finally, if we look at Michigan, which launched in January this year and where MGM Resorts obviously has a strong physical presence, we again had a strong launch taking the leading positioning in iGaming and sports betting at attractive economics with low CPAs. In fact, in the first 10 days following launch, we took around $1.3 million per day in iGaming. That's more than we take each day in New Jersey. Just like all of Entain, there is real momentum in BetMGM.

So to summarise, our business responded incredibly well to the challenges thrown up by the pandemic and we found opportunities to continue our growth. We executed well, putting ourselves in an even stronger position to continue to capitalise on the world's shift to online. That enabled us to deliver another strong performance. We have a clear purpose, a winning strategy and a new identity that gives us a clear runway for growth through four priorities. Firstly, in our core markets. Secondly, in the US, where we have great momentum in BetMGM. Third, through M&A, and finally through new audiences. We are leading the way in player safety through ARC, and we have ESG and sustainability built into our strategy. So we go into 2021 with a certain amount of confidence, and knowing that we can deliver significant value for our stakeholders. I'd now like to turn the call over to Q&A.

Moderator: Thank you. Ladies and gentlemen, if you now wish to ask a question, can you please press star two on your telephone keypads. That is star two on your telephone keypads. If at any point you wish to retract your question, then please press star three. There will now be a brief pause while questions are being registered.

Moderator: Thank you. And our first question, it's in the line of Simon Davies at Deutsche Bank. Simon, your line is open. Please go ahead.

Simon Davies: Yeah, morning. Three from me. Firstly, on the US, you talked about particularly low CPAs in Michigan upon launch. Can you broaden out that comment in terms of what you're seeing in the direction of CPAs over the last couple of months, and also the level of cross sell that you're seeing from M Life and Yahoo? Secondly, on Germany, you talked about a 15 to 20 million hit from potential taxes. Can you talk about your view in terms of whether Germany is likely to launch regulation on time in July, and what are your assumptions now in terms of your activity in Germany post that? And lastly, can you flesh out your comments on current growth? You said you're seeing continuing strong momentum. Can you perhaps put any numbers on that?

Jette Nygaard-A...: Yeah. Hi, good morning, Simon. Why don't I take the first run around CPAs in the US and I'll hand you over to Rob for your last two questions.

When it comes to the CPA, very much depends on, you could say, the state and the circumstances under which we are launching in the state. And here, for example, Michigan and Tennessee has really been, you could say poster childs on how to do that. So there's a number of things that impacts the CPA. So whether we get live on day one, the partners that we have in the state, so for example, in Tennessee, we partnered with the Titans, we had the CRM in place and so forth. And also in those States, we did preregistration, so when we're able to get into the markets those ways, we have a much better CPA than we do if we don't do it that way. So that's one thing. And then of course, competition is also impacting the CPA. I would saw, what we see in general is that very early days going into the markets, the CPAs are typically a little bit lower and then they rise when more competition comes into the market, and then they sustain. So really, the go-to market approach is really important for the CPA's overall.

Then when it comes to the cross-sell, so MGM talked about that 17% of the customers that BetMGM is getting now is coming through the M Life reward program. As you know, today, every new customer, they get an M Life account, so that's a strong number. We don't publish numbers on the Yahoo share, but Yahoo is the biggest affiliate partner for us. Rob, do you want to take Germany and growth?

Rob Wood: Yep, absolutely. Hi, Simon. Germany's new regime due to come in 1st of July, although we do think it'll be a while beyond that before licenses are issued for gaming, could even be into 2022. In terms of the impact, no real change from our Q4 results when I spoke a little bit about it on the 21st of January. We do see very material impacts to the gaming business and a little bit adverse to the guidance that we gave and we continue to believe that's because there hasn't been enough take-up of the new regime by operators, so too many operators not complying with the rules. But on the sports side, that's comfortably ahead and therefore an aggregate still in line with guidance.

Just on momentum and current trading, there's no doubt we started the year very well, but we expected to. When I spoke on the 21st of January about an expectation of low single digit online NGR growth across the full year 2021, that was very much on the basis of a very strong Q1 as we continue the momentum from Q4. But then as retail reopens and lockdowns ease and the trading margin comparators become much tougher, we would expect Q2/Q3 to be much flatter in terms of year-on-year, and then no doubt, a tough Q4 as we annualise against the 41% that we saw last year. We have started the year very well, but we expected to.

Perhaps in terms of just giving a little bit more colour, I'm just remembering Adam Lewis who runs our digital operation, giving us some really good insight on January numbers. It's not just that NGR is performing really well for online, it's also the customer KPIs that sit behind it. Firstly, actives was up very materially in January, up 30%, which is fantastic. We've got far more customers year-on-year than we would otherwise have had. Those customers are depositing more per head, which is a really important metric, so deposits per head is up materially and they are playing more frequently, so play-a-days is up materially as well. All of that is contributing to the NGR growth.

Then when you look at player acquisition, our FTDs are up very significantly year-on-year and we're spending less to acquire them, so CPAs are down. You couldn't really ask for a more healthy set of customer metrics for the online business at the start of this year.

Simon Davies: Great. Thank you.

Moderator: Simon, thank you. Our next question, it's from the line of Gavin Kelleher, Goodbody Capital Markets. Gavin, your line's open. Please, go ahead.

Gavin Kelleher: Good morning, Rob. Morning, Jette. Just a few from me. Just on your guidance side and online, does the contribution include the inclusion of the new German taxes on poker and slots? That's my first one. Then my second one is on ARC. When this is introduced and fully ramped up in the summer, will there be a revenue impact on online that we should be taking into account? Will it be a big revenue impact you're assuming? Then thirdly, just on your point there, Rob, about CPAs and online that you just commented on coming down, what's driving that if there's anything you can put your finger on?

Jette Nygaard-A...: Thank you, Gavin. I'll take the middle one first and then we'll come back to Rob for guidance in German tax and CPAs and online. How you should really think about ARC is a revolutionising way to think about player protection going forward. What it really enables us to do is to, let's say, put out a safety net from each individual customers where we will be able to interact with the customers and intervene, if necessary, at a much earlier stage and then have the customer or the player continuing to play at a sustainable level going forward. We will start to trial this over the next couple of months, firstly in UK. So, I would say it's still early days and we don't expect to see any revenue impact from it in the near future.

Rob Wood: Thanks, Jette. Let me pick up the contribution margin question firstly, so 40 to 41 is the guided range. You'll have heard me say over the last couple of years that whilst that guidance firstly is exactly the same as it was at this time 12 months ago. And the reason is, even though marketing rates will tick down over time, we have to expect some erosion in the gross profit margin because of tax rises as an example. So therefore, yes, the answer to the question is that there's an anticipation of some tax rises and Germany could be an example of that, albeit in response to COVID is another driver. Just on German tax, we don't know if that's coming in yet, so there's a degree of uncertainty around that. But as you allude to, we've given a steer that that could be a £15 to 20 million type impact this year if it does come in.

Then to your question on CPAs, it's not the marketing spend part of the equation. We're spending in pound note terms where we want to be spending. It's just that FTDs are so strong and clearly lockdown is helping that. If I look at FTDs in the UK, we're up over the 80% in January. In Italy and Belgium up over 70%. Clearly we have the omni-channel benefit and that the brand familiarity in those territories, but wherever you look, FTDs are up really strongly and that's really what's keeping CPAs at very attractive levels.

Gavin Kelleher: Brilliant. Thanks a million.

Moderator: Thanks very much. A question now from Michael Mitchell at Davy. Please go ahead, your line is open.

Michael Mitchel...: Good morning. Hi. Sorry about that. Three, if I could. Firstly, on the US and going back to the point we around the cross-sell from the M Life program, can you just talk a little bit about the funnel in which these customers are entering the BetMGM business? Is it right to assume that the majority of those are being acquired into online casino? If so, how many of those customers then are being successfully cross-sold into sports or do you believe could be successfully cross-sold into sports?

Second of all, if I could ask just in terms of US actives, I wonder could you provide some colour in terms of your current level of customer actives in the US at the present time?

Then thirdly, in terms of US guidance for the current year and a little bit more colour on 2020. Rob, I was interested in your comments that your revenue growth in the US has exceeded expectations, but operating losses were in line. Why was that? I mean, is marketing spend or efficiency coming in better than expected? How do you think about that going forward into 2021 and really what guidance do you have in terms of total losses for the US in the current year? Thank you.

Jette Nygaard-A...: Thank you, Michael. Let me comment on the first two and I'll hand you over to Rob. The first question was around the cross-sell from M Life and MGM. As I said, 17% of the customers coming into BetMGM comes from either MGM or M Life, so that's both through the omnichannel, the retail, and then through the loyalty program here. We're not breaking that down into which channels they come from.

But I think what's really encouraging is that if you look at multi-productly, that's well over 30% for customers playing both on casino and sport. I think that really shows the strength of the model that we have in the US with the rollout being powered by our technology and our products, and then supported by the strong brand and the customer base of MGM.

When it comes to active customers, we're not disclosing that at this point. But we will in April, on the 21st of April, we're looking forward to share more about the BetMGM business and really have a deep dive there. Rob, do you want to take the last one about guidance?

Rob Wood: Yes, absolutely. 2020, first of all, so we spent over the second half of the year, maybe a little bit more than was expected, but not materially so and that was then compensated by higher revenue. That's really why revenue outperforms but losses were in line. In terms of 2021, so too early for us to guide on the year and you'll hear more about that on the 21st of April as Jette just mentioned, but you don't have to be a rocket scientist to see that the run rates for revenue suggest a more than doubling, which very much we remain on track for. When it comes to losses, it wouldn't surprise me if you see a similar pattern. Clearly it's a big year of investments. We started the year live in 10 states and we hope to end the year live in 20 states. As a consequence of that, the losses will certainly be significant in 2021, but more guidance to follow on the 21st of April.

Michael Mitchel...: Super. Many thanks. Thank you.

Moderator: Thank you. A question now from Kiranjot Grewal at the Bank of America. Please go ahead, your line is open.

Kiranjot Grewal: Hi. Morning, guys. Just two questions from me. Firstly, could you potentially comment a little bit more on your tech stack in the US? Where does the product quality sit today versus that being offered by you guys in the rest of the world and Europe and how does your product compare to your peers in the US?

Then secondly, could you maybe offer some more comments around the UK regulatory backdrop? There's a lot of talk also about the affordability measures. Where does ARC sit within some of these measures being discussed? You've grown a lot over the recent years, especially last year, so where does your UK exposure sit as well? Thank you.

Jette Nygaard-A...: Sure. I'll try comment on the first two and then maybe Rob, I'll hand over to Rob for the last one. In terms of the tech stack, so Entain's technology team is working directly with BetMGM, so we have a dedicated team sitting together with our other tech developers in India. Here we are supporting with, you could say, with a tech stack, but certainly also with the product development and the different adjustments of features that you need every time you enter a state.

This is where you could say US is different because every time you enter a new state, you need to adjust to the specific regulations and you have different product set ups and so forth. I think really the fast rollout of BetMGM and the fantastic momentum has really proved that how valuable that really is and how fast we are able to roll out into new states. Ongoingly, we are developing on all products, and I think there has been tremendous progress since we launched over the last year.

When it comes to UK regulation and ARC in particular, I mean, we're taking the point of view that, listen, regulation is part of our industry and we have good discussions with the governments around this. I think the important thing here is that regulation needs to be balanced. The times are past when one-model-fits-all was relevant. This is really where ARC comes into play, because the more we develop these models, the better we're actually able to tailor your safety net specifically to you, which by the end of the day, means that we can have a fully personalised approach to player protection.

So that's why we are encouraged, when the UK government is talking about they want to take an evidence-based approach here because that's really where our technology comes into place, that we can start in real time predicting how you will develop as a player. Then we can reach out to you before we are seeing potential spikes in your game play. That's really how we see ARC here and we see it as a way of really revolutionising the approach to player protection going forward. I hope that gives you a little bit of flavour. Then, Rob, would you take the last one?

Rob Wood: Yeah, I think that's a simple one. UK remains around 35% of our online mix. If that gives some sense of exposure, it was around 35% in 2019 as well. Then the UK had a great year of growth at 28%, but that's the same number as the rest of the world, so 28%, so that the mix remains 35% UK.

Kiranjot Grewal: Super. Thank you very much.

Moderator: Thank you. Our next question is from the line of James Rolland-Clark at Barclays. James, your line is open. Please go ahead.

James Rolland-Clar: Hi. Morning, everyone. A few questions, please. Firstly, just on your retail estates, you discuss the likelihood that online will take share from retail, despite the shift back of retail as lockdown ends and retail reopens. But can you just discuss whether you foresee further retail closures in the future? I think normally we're looking at 100 shops per year closing, so maybe if you could expand on that a little bit.

Secondly, on online win margins. You mentioned, Rob, that they have been a touch higher due to the recreational mix, but then there's two greater factors that have driven the spike in 2020. Can you just give us a sense as to whether win margins are going to settle a little higher than history before coronavirus?

Then finally, just on the US, could you just talk about the relationship with MGM since the rejected bid? Clearly BetMGM has seen very, very strong momentum in existing and new states, but what do you think about the right capital structure for BetMGM in the medium to long-term? Thank you.

Jette Nygaard-A...: Hi. Good morning, James. Let me comment on the last one and then Rob will take it through the first two ones. Listen, so the process and the bid from MGM that's really, let's call it, a chairman-to-chairman and board-to-board discussion. Through that process, the operational relationship and partnership in working together, both between our team and MGM and as well with BetMGM and in the BetMGM board has really been ongoing as usual. We're fully aligned on the prospects here. We are fully aligned on the opportunity for BetMGM between ourselves and MGM. With the momentum that BetMGM has and the opportunities that exist in the US markets for growth, listen, our eyes are focused on really helping and supporting BetMGM in getting the max out of these opportunities.

Rob, should I hand over to you for retail and online win margins?

Rob Wood: Please, yeah. Morning, James. On retail, you're quite right where we look at somewhere around 100 closures per annum in the UK, off a starting point of 3000 or so, so just gentle trimming each year. It wouldn't surprise me if we see two or three years worth of closures come into one, this year. So, it wouldn't surprise me if closures are larger than 100 this year. But I have to say, we were pretty optimistic back in Q2 of last year, that when we reopened that customers would go back to our shops. We believe there's a reason for retail to exist. Customers like that experience. They like the social side and watching sport on a big screen and hanging out with mates. We continue to believe that the majority of our customers will return. In the UK, we got to within single digits of where we were pre-COVID last summer, and in Italy and Belgium, it was better still. We're hopeful that we'll see most of our customers come back. If that's the result, then as I say, there might be more closures. There might be two or three years worth of closures in 2021, but no sort of fundamental restructurings. We don't expect that at all.

Online trading margins, so yes, 2020 was exceptionally high at 12.7%. The year before was 11.1%. When you look at the drivers of that margin uplift, it is clear to me that most of that will unwind. Therefore, maybe not across the full year, because, of course Q1 has still benefited from that sort of retail-type betting in the online environment. But if we look from Q2 onwards, it's highly likely to be sub-12% would be my view. But I'd hoped for better than 11.1% that we saw in 2019, as I said in the video earlier, we do have this general trend towards a more recreational customer base and that tends to mean more multiple-type betting and therefore higher margin as a result. So, somewhere between 11 and 12 would be my expectation once retail reopens and lockdowns ease.

James Rolland-Clar: Excellent. Thanks very much.

Moderator: Thank you. Our next question is from Ed Young at Morgan Stanley. Ed, your line's open. Please go ahead.

Ed Young: Thank you and good morning. My first question is on loyalty. I thought the presentation you gave around with that was very interesting. Can you help us think about what the trends are there? I guess, product has been a big driver over the last two years, but it looks like the loyalty trends are, I can't quite work out the measurements of those lines, but fairly consistent. Can you give us some idea about how player loyalty has trended? I guess with marketing trickling down, what was percentage of marketing or what overall generosity is directed towards current players staying loyal versus customer acquisition, how do we think about that?

The second is on the US. I'm very struck by the difference between the fantastic position you've got in new states and the slightly more difficult to move shares in the states which were open for a period of time before you entered or some of those early states. Again, how should we think about that? Is that really reflecting first mover advantage and does that maybe mean that your recent high shares are defensible? Or put another way, your 15% to 20% share target, is that likely to be led by some very high and some very low in the mix or do you think it will even out over time?

The third, a bit of detail I suppose, but on Germany, you've talked around it a little bit today, but there've been two states, obviously, that have now declared that they're going to hand over to the monopoly for table games. It's about 20% of the population. Do you have any expectation for the kind of market access you're going to be able to achieve in Germany for online casino? And if the stops impact does come in and we do see that some states are sort of locked out, so I'll put another way. What percentage of those states do you think need to be open for you to be able to get to that kind of back to where you were within three years sort of soft guide you've given on Germany? Thanks.

Jette Nygaard-A...: Hi, good morning, Ed. Let me comment on the first two and then I'll hand you back to Rob on Germany. I think the way to think about this slide, and it comes back to something that Rob spoke about earlier this morning about our CPAs, is really to show you that while we invest in customers the first year, we're actually very, very good at retaining customers going forward. And then obviously it says something about the strength in our marketing model. And being an entertainment company, it's really about constantly engaging our customers and constantly, you could say, surprising them with new and exciting products.

So that's really what we wanted to show in this slide, that yes, we bring customers in the first year, but they actually stay with us for quite a long. So it's okay to invest in them, bring them on board. I don't have any splits to share with you in what is really, you could say, brand marketing, what is direct acquisition costs, and what is retention costs for the customers, because when we bring a customer on board, we really think about them through their lifetime. So we look at it that way from a marketing perspective.

When it comes to the US states and what I alluded to before, it's really that if you look to, for example, our approach to Tennessee and Colorado, which are some of our newer sports states ... sorry, online sports states, and also for Michigan, where we launched recently, where we both have casino and sport. I think what this shows you is that when we go to market this way, where we have the full rollout of CRM, we have the pre-registration, sometimes we have a free-to-play before launches when it comes to sport online, we have the right partners there. So for example, partnering with the Titans in Tennessee. And then, of course, also adds to the picture if it's, let's say, a state where MGM has a strong presence. So when we can get all these things mixed together in the optimal way, that really shows you the power of what BetMGM can do.

And then I think also, very encouraging, is that, as you know, we came into Pennsylvania late, but if you look at the numbers, they're already quite encouraging. So I think we'll pick up there. But it just goes to show that the right go to market is really important. Rob, should I hand over to you for Germany?

Rob Wood: Please, yeah. So the way we think about the recovery in Germany, I guess there are a couple of different aspects. One is the enforcement environment. So the one thing of course that we call for is level playing field. And if you have that level playing field then, of course the stronger brands and those businesses with the best product and marketing capabilities will be the winners. So that level playing field is important. And if this new level of tax comes in on the gaming side, on slots and poker, the positive of that of course, is that you can expect the German authorities to take more action on those who are not complying and not licensed. And the smaller operators obviously will struggle to survive that sort of tax environment. So one aspect is just having a much larger share of a smaller pie. The other aspect, as you say is, well, where could growth come from versus where we are today? And access to online table games for casino is clearly a piece of that. We are in discussions with various land-based casinos and lotteries. We know there's appetite from their side to have an online offering. And we're in discussions with some states. There are some that have already declared their hand and that they are going to permit private online casino operators to enter the online table games market. I won't read the list out; I don't know if it's in the public domain or not, but there are some that have indicated that already. I don't have a percentage for you though. I don't know at this stage whether it's half the country, or higher or lower. But as you say, there are some that you can be pretty sure won't, and there are some that we know will, and there are some in the middle ground that we continue to engage with. I hope that helps, but it's quite hard to be specific at this stage.

Ed Young: No, that's useful. Thanks Rob and thanks both.

Moderator: Thank you. A question now from Joe Thomas as HSBC. You're on the line, Joe. Can you please go ahead?

Joe Thomas: Morning. Just wanted to explore the responsible gambling angle a little bit further, please. So the ARC system that you've got launched, to what extent is that able to see on a customer level and across the two brands that you've got in the UK? That'd be one question. It's obviously no good stopping someone gambling irresponsibly on Coral if they going to just go and do it on Ladbrokes. And I suppose, related to that, could you also ... I'd just be interested to know to what extent there's any coordination at an industry level, because again it's no good stopping someone from gambling irresponsibility at Entain then go do it at William Hill, or Bet365, or somewhere else? So I'd just be interested in any sort of colour on that. And then, I think you said in response to an earlier question that you weren't expecting it to have any impact on revenues in the near term. Could you just sort of flesh out why you wouldn't? Is it because it's only in a kind of a beta launch or something at the moment? Yeah, if you could just answer those three, that that would be great. Thank you.

Jette Nygaard-A...: Sure, and good morning, Joe. So when it comes to ARC, just to be clear here, this has not launched live in the market. So it's a little bit too early to talk in detail. We are rolling it out, we're focusing first on the UK. And the way to think about it is that ... there's a couple of things here. Firstly, through partnership with science, we have been able to identify what we call more markers of protections. That means that we actually learn more and more about what is it that could be a way for a player into harm. So we have more markers of protection which we can then start to model. Now, the second thing we're working on is really using AI or machine learning in order for us to push, you could say, real-time discovery and being much more predictive. And that's what I came back to in terms of we can actually prevent spikes from happening. So a spike could be one of the things that is a signal that you might be risk of harm. So it's in early times, it's not launched yet. It will, however, be on both brands. So the customers are protected whichever brand they use, and we'll of course, follow all guidelines on GDPR and UK GDPR that we should. But it should protect customers across our brands. The way I think about this is really it's a way for us and the industry to have a much more scientific and evidence-based approach to player protection, because that's really what it's all about. And as I said earlier, we want to move away from this concept of one model fits all. So it's not necessarily the same safety net that you should have that I should have.

And that's also why I said that we don't expect any impact on revenue. First of all, it's not launched yet. But the second thing is that our hope is, of course, that when we bring customers back from, you could say, the spikes, they are actually continuing to play on a sustainable level. So what you could imagine is that they become longer term customers for us. So whether there will be any impact? First of all, it's too early to say. But I think, in my view, we will actually get much better quality of earning and we will get longer lifetime value from our customers. I hope that answered it.

Rob Wood: And if I could just add, Joe, a little bit more colour around the revenue impact. You might remember last November, we announced as part of the sustainability charter, a 40 million impact. And half of that was to do with getting ourselves up to 99% regulated or regulating, and the other half was around RG type activity such as this. So no incremental impact beyond the 20 million that we talked about last November.

Joe Thomas: Thanks for that. And could you just, I just have another point, which I realise is a little bit vaguer, but we're hearing companies all introducing their own methodologies of targeting customers. It strikes me that while the approach is sensible that you've got, there does need to be some sort of joined up approach. Is there anything going on at an industry-wide level, and could we expect to see some sort of uniformity of approach at some point?

Jette Nygaard-A...: So right now we have, as you know, a body in the UK called BGC where we are discussing these different types of approaches. As you know, we just had the consultation with GC and now we are giving input to the Gambling Act. So really what we are focusing here is on bringing that discussion into the industry, because I think it is really interesting if we can agree on, let's say, a more scientific and technology-powered approach to player protection going forward.

Rob Wood: Yeah, I completely agree. And if you look at things like the response to the affordability consultation, the three-step plan that Flutter put forward, it's very much aligned to how we approach it as well and have talked about at the BGC. As you say, it needs to be an industry-wide approach, and we'll lead the way given we own our own technology and we have the ability to do things that others can't. But it does need to be an industry solution in due course of course.

Joe Thomas: All right, thank you.

b Thank you. Before we go to the next question, which is from Ivor Jones at Peel Hunt, can I remind anybody still wishing to ask a question to please press *2 on your telephone keypad. I'd now like to open up the line of Ivor Jones.

Ivor Jones: Good morning. You've talked about the revenue share online from the UK. I wonder if you could continue and list the revenue shares from the other large online markets. It would be very helpful in trying to work out the quantum of regulatory risk. Secondly, following up on questions before on UK regulatory risk, what can you help us with in terms of helping us quantify that? Could you tell us the percentage of UK casino revenue from what you qualify as the VIPs? Could you tell us the percentage of revenue coming from the customers who deposit more than £100 a month? Could you just give a think about what metrics you're prepared to share that would help us think about that? And then finally, what was the benefit to the group, please, of UK government furlough schemes and business rates relief? What are plans to pay it back or not pay it back, and is that a precondition of declaring a dividend? Thank you.

Jette Nygaard-A...: Thank you. And good morning, Ivor. This is an easy one for me, because I think I'll hand you over to Rob for all your three questions.

Rob Wood: Okay, no worries. So in terms of geographic mix, firstly, the next biggest country when I look at the numbers now for 2020, is Australia. So Australia obviously had a very good year as we know, jumped into second position. Germany is falling back as you'd expect. So 13% for 2020, but for certain you'll be single digits by the time we annualize the new regime. And Italy continues to be the fourth largest. And these are all online only figures. And then it goes into a longer tail with, rounding to 3%, nothing bigger than 3.5%. In terms of-

Ivor Jones: Can I get any percentages, Rob?

Rob Wood: For which territories?

Ivor Jones: You said Australia, then you said Germany 13%, then you said Italy. You didn't say the percentages for Australia or Italy.

Rob Wood: I didn't, pardon. Sure, so Australia was 14%, and Italy was 9%. And then the next biggest is the Netherlands at just under 3.5%, and then a long, long tail.

Ivor Jones: Thank you.

Rob Wood: No worries. In terms of helping thinking through the exposure within that, the UK leans more towards gaming than sports, given we have bingo brands as well. But obviously it depends on which aspect that you want to look at. Slots then, within that for example, is a smaller mix too. I think if you've got any specific questions, do feel free to send them in afterwards.

Perhaps the one thing I would say though is what's different about the UK business today, for instance, versus a couple of years ago is the approach to high value customers. And as you'll know, we've unwound the sort of VIP schemes of old and we're down to, I think it's a matter of low hundreds of high value customers in the UK. And the contribution from those customers is relatively small. So that sort of pareto effect that was quite extreme a few years ago has really unwound over the last few years, or at least trended in the right direction as a result of all the measures that have been put in place and in particular the approach to VIP. So the recreational mix is growing.

In terms of your other question on furlough, so the number for 2020 was £59 million. The rates number across the full year was early twenties. And in terms of approach, we continue to claim furlough for Q1 of this year, continue to believe it was a very positive scheme, enabled us to keep many, many thousands of people in employment that wouldn't otherwise have been the case. And we've paid our colleagues at 100% throughout all that period. As soon as we reopen, as such we're scheduled for 12th of April, then of course the claims stop at that point. So that's the latest view on furlough.

Ivor Jones: And is that a liability the group intends to pay back, having made a substantial profit? And is it a precondition of dividend? And was the £59 million the UK number only, or did it capture equivalents in other countries?

Rob Wood: The £59 million is UK only. There's another two to three in the Republic of Ireland, and then that's it. There isn't quite the same equivalent elsewhere. And Italy, for instance, is a franchise model, so we don't employ the shop teams there. In terms of whether we would repay, it's something that's kept under review. Is it linked to dividends? Not at this stage.

Ivor Jones: Thank you.

Moderator: Thank you. A question now from Richard Stuber at Numis. Richard, your line is open. Please go ahead.

Richard Stuber: Hi, morning. Just two questions for me, please. The first is marketing for medium term guidance. I think you said it will reduce over time. Could you give a percentage what that may trend down to? And is that a result of the enforced marketing restrictions or you think economies of scale that will bring it down? And the second question is on the leverage. I think you said it will be up again this year. I was just wondering what your tolerance is and how high it can go up in the short term? And I'm thinking specifically with regards to a potential acquisition of (TabCorp) business. Thank you.

Jette Nygaard-A...: Hi, good morning, Richard. Rob, I'll send them over to you on guidance on marketing and leverage comments.

Rob Wood: Yeah, no problem. So on marketing rate, I remember saying a couple of years ago that the big picture view is it should tick down by around half a percent per annum over the time, and that still feels broadly appropriate. What are the drivers of that? You certainly hit on two of the biggest ones in terms of just pure scale. There's no need, when you're a group of our size to grow your marketing spend at the same rate as your NGR growth. But then also restrictions is an important point. We've seen the likes of Italy, for instance, go to a blanket ban, the whistle-to-whistle ban in the UK, other restrictions in Spain, Belgium, etc. So that's a component. The last component which is very material as well, is efficiency, and effectiveness, and potency with our marketing spend, as we pivot more and more to digital marketing and those techniques become ever more sophisticated with our higher ROI as well.

In terms of leverage; difficult for us to guide on leverage at this stage. It depends what you assume for things like M&A and dividends for instance. But almost certainly it will go up. The likes of Enlabs, for instance, will add around 0.3. In terms of tolerance, I've talked quite a lot around 3x being a sort of artificial layer for us. So we wouldn't choose to go above 3x, not unless there was an instant path to coming back down again. So that continues to be our sort of upper comfort level. And in any case, the de-leveraging from this year onwards, once we get past this year, is very strong. So that's something that we keep an eye on as well. But I think to answer your question directly, 3x is a bit of an artificial layer. And if M&A was going to take us beyond that, we might look at equity type solutions to ensure we stay below 3x.

Richard Stuber: That's very helpful. Thank you.

Moderator: Thank you. So that concludes Q&A on today's call. I'd now like to pass back to Jette for any closing comments.

Jette Nygaard-A...: Thank you, operator. And thank you all for listening and thank you for your questions. So I'm looking forward to updating you; we have our Q1 on 15th of April, and we have BetMGM updates on the 21st of April. So until then, keep safe, and hopefully we'll be able to meet soon. Goodbye.

END.