BetMGM, LLC(Investor Day 2021)

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Corporate Speakers:

- Jette Nygaard-Andersen; Entain Plc; CEO & Director
- William Hornbuckle; MGM Resorts International; CEO & President
- Adam Greenblatt; BetMGM, LLC; CEO
- Ryan Spoon; BetMGM, LLC; COO
- Matt Prevost; BetMGM, LLC; Chief Revenue Officer
- Gary Deutsch; BetMGM, LLC; CFO

Participants:

- Edward Young; Morgan Stanley; Research Division, Equity Analyst
- James Clark; Barclays Bank PLC; Research Division, Research Analyst
- Thomas Allen; Morgan Stanley; Research Division, Senior Analyst
- Gavin Kelleher; Goodbody Stockbrokers; Research Division, Gaming & Leisure Analyst
- Joseph Greff; JPMorgan Chase & Co; Research Division, MD
- Simon Davies; Deutsche Bank; Research Division, Head of UK Midcap & Online Gaming Research
- Shaun Kelley; BofA Securities; Research Division, MD
- Carlo Santarelli; Deutsche Bank AG; Research Division, Research Analyst
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- Chad Beynon; Macquarie Research; Head of US Consumer, SVP and Senior Analyst
- John DeCree; Union Gaming Securities; Research Division, Director and Head of North America Equity & High Yield Research
- David Katz; Jefferies LLC; Research Division, MD and Senior Equity Analyst of Gaming, Lodging & Leisure
- Benjamin Chaiken; Credit Suisse AG; Research Division, Research Analyst
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- Richard Stuber; Numis Securities Limited; Research Division, Analyst
- Ivor Jones; Peel Hunt LLP; Research Division, Analyst
- Kiranjot Grewal; BofA Securities; Research Division, Associate and Analyst
- Stephen Grambling; Goldman Sachs Group, Inc.; Research Division, Equity Analyst
- Joseph Stauff; Susquehanna Financial Group, LLLP; Research Division, Credit Analyst
- Christine Zhou; RBC Capital Markets; Research Division, Analyst

PRESENTATION

Introduction

Jette Nygaard-Andersen^

Good morning. On behalf of Entain, MGM Resorts and BetMGM, thank you for joining today. We are excited to share with you an update on BetMGM, and for you to hear directly from key members of the executive team, what has been driving the fantastic success in the U.S. sports betting and iGaming space, and why we believe this momentum will continue going forward.

Although Entain is a relatively young company, through our brands, we have an incredibly rich heritage of leading the sports betting and gaming industries for several decades.

That is both in retail, online and, of course, across omnichannel, delivering a great customer offer backed up by our powerful proprietary technology.
Today, Entain is a USD 13 billion global leader in online betting and gaming, licensed in 27 territories around the world, enjoying market-leading positions.

We are unique amongst the major operators in owning 100% of our proprietary technology platform, proven and ultra-reliable with an uptime of 99.98%. It's a tech stack that is at the very leading edge of the industry. This platform gives us not only control over our destiny but a clear competitive edge.

Ryan will give you a bit more color in the main body of the presentation, but let me give you some stats to help you understand the sheer scale and power of our platform.
We have a customer database of over 160 million profiles to inform our personalization algorithms.
In the U.K., every Saturday, our platform handles 7x more interactions than Amazon on a Black Friday.
With 250,000 events across 90 different sports and over 6,000 games, we provide customers with the greatest choice to entertain and engage them.
We execute 2 million sports bets, with over 100 million slot spins and 21 million poker hands.
We have over 2,000 technologists focused on our platform and our platform alone, making it the best it can be for our customers and our business.
This experience, this expertise and this proprietary technology is what Entain brings to BetMGM.

Together with MGM Resorts, we have the best assets in the market to be the leader in the U.S., delivering on that ambition will, of course, require investment as we build towards profitability. And we have always said that we will do whatever it takes. So this year, we expect to invest around USD 450 million in BetMGM, adding to the USD 210 million already invested today.

The U.S. is a huge opportunity and I can't think of a better investment we can make that will deliver such significant return to our stakeholders.

I will now turn it over to Bill to say a few words.

William Hornbuckle^
Thank you, Jette. I'd also like to extend my welcome to everyone that's joined us today.

MGM Resorts is one of the largest gaming and entertainment companies in the world. Our portfolio encompasses 31 unique hotels and gaming destinations globally with some of the most iconic brands in the industry.

Our premier brands operate at the convergence of gaming, entertainment and sports, and we are a leader in our markets. Leveraging these differentiated assets, experiences and expertise is central to how we want to approach the online gaming and sports wagering opportunity.

When Entain and MGM Resorts came together in 2018 to create this joint venture, we knew we had the winning combination for success. MGM is dedicated to utilizing its people, its brands, assets, market access and loyalty program to drive a best-in-class customer acquisition and retention model. We firmly believe that winner in this space will need to deliver a seamless omnichannel offering.

This is something that we're well equipped to offer because at MGM Resorts,
(video) We bring real entertainment.
We bring real action
We bring real sports
and we bring real excitement to the world stage.

It's the combination of everything MGM has to offer with Entain's proven technology and capabilities that make BetMGM the industry-leading partnership. BetMGM has hit the ground running and has already established itself as a leader in this market. We are excited about our progress to date, and both partners remain fully committed to ensure BetMGM's future success as a leader in this space.

I'm eager for all of you to hear from the team today. I will now turn it over to Adam Greenblatt, BetMGM's Chief Executive Officer, to officially set the agenda, introduce his team and do a deep dive into the business. But first, please enjoy this video.

(video presentation)

Business and Market Overview

Adam Greenblatt^
Bill, Jette, thank you for the introduction and continued support for BetMGM.
I'm delighted to be here today. That we are here, holding this event, speaks of the tremendous progress BetMGM has made. So I'm looking forward to sharing thoughts and information about the market, BetMGM's market position and outlook, and what makes us different and special.

You will also meet some of BetMGM's leadership team who will dive deeper into their respective areas.

First up will be our Chief Operating Officer, Ryan Spoon; Matt Prevost, our Chief Revenue Officer, will follow; Chief Financial Officer, Gary Deutsch, will hand back to me before Q&A.

The journey started in 2018. Having spent the best part of 20 years in and around the gaming sector, lately, heading up corporate development and strategy for the Entain Group. It was clear to me well before PASPA fell, that the U.S. represented the regulated sports betting and iGaming opportunity of this generation.

So after a period of corporate speed dating with all of the major incumbent U.S. gaming operators, I was delighted to cement the partnership between Entain and MGM Resorts, which was designed to bring together the best of each business and form the basis of a future market leader in U.S. sports betting and iGaming.

To say I was enthusiastic about the prospect of building the business and bringing to life what I had conceived of, is a gross understatement. What a special opportunity to build and lead a business with a fully financed plan, access to, and exclusive use of, proven award-winning assets and industry-leading tools and a blank canvas to create a kind of corporate culture I've always imagined was possible.

I will talk more about our people and culture later, but more than anything else, this is BetMGM's greatest achievement to date, and underpins the confidence with which we face the future. Back to the journey, though. My personal next step was to move my family to the East Coast as BetMGM employee number one, and go to work.

And now it gets exciting because in short, the plan is working as intended, better, in fact. Let me give you some key headlines.

In the first quarter of 2021, BetMGM achieved revenues of $163 million. This represents 90% of our full year 2020 revenues.

Compared with Q1 2020, this represents growth of 430%, and compared with Q4 2020, represents sequential growth of 114%. This dramatic increase demonstrates the impact of having solid foundations in place, effective state rollout and more gaming states alongside online sports betting or OSB.

BetMGM's aggregate market share in our live OSB and iGaming states in February this year has expanded to 22%, and it is in this context, that today, we increased our long-term U.S. market share target to 20% to 25%, up from 15% to 20%, with gaming targeted to achieve above the 25% share level.

Total addressable market has also expanded. We have updated our long-term view to $32 billion, reflecting the very strong starts in a number of new states in sports and iGaming, and the Canadian upside opportunity. I will talk more about this shortly.

Lastly, our long-term EBITDA margin expectation remains in the 30% to 35% range. Later, Gary will explore BetMGM's advantaged financial framework supporting this target.

BetMGM is poised to be a national leader and our recipe is powerful, as is evident from our recent growth and momentum, sustainable and differentiated. While it is an obvious point, there is no path to leadership without participation in all states that matter.

Secured national market access is therefore essential in fulfilling long-term leadership ambitions. BetMGM has secured access to 24 U.S. markets. The 8 states where we have access through MGM Resorts are particularly efficient with no third-party market access fees to pay.

It's worth reminding ourselves that given the restricted nature of market access supply in many states, having secured such broad access created a defensive moat for BetMGM. As a result of this, there are unlikely to be many, if any, new national operators in the U.S. landscape other than through M&A.

Ryan will talk more about product and technology next, but our industry-leading proprietary technology and product platform provided by Entain is absolutely key to giving our players the best possible experience, both today and in the future. This will become progressively more important as the market develops and players become more discerning about the product features they want to see and their end-to-end experience.

As you'd expect, it is BetMGM's product team that defines the U.S.-centric product road map, informed, of course, by player research and feedback and competitive analysis. In addition, however, BetMGM benefits from features developed for the rest of the Entain Group's global business.

Speed of delivery and our rate of progress in the area of product or structural competitive advantages. We are improving our player experience at a rate that few, if any, will be able to keep pace with, thanks to the scale, capability, and talents of the Entain tech delivery team.

Lastly, on product and tech. BetMGM does not pay a rev share for tech platform and trading services delivered by Entain and is not charged for Entain central team either. This is one of the elements of our advantaged operating costs structure. In the open market, these 2 items can represent 12% to 20% of EBITDA margin.

BetMGM also enjoys structural advantages in the area of player acquisition and retention. There are 4 principal pillars:

1) our omnichannel approach to acquisition.
   At its core, this means recruiting high-value, brand loyal players at extremely low cost from within MGM properties.
2) integration with MGM's award-winning loyalty program M Life.
   Every BetMGM player is enrolled in M Life and starts earning points from day 1. From a player perspective, this enhances BetMGM's value proposition and encourages visitation to MGM properties through redemption of loyalty points, thereby further cementing the relationship with the MGM brand, and driving value to MGM Resorts.
3) the effective use of a fully integrated BI and data platform, driving proprietary predictive player value models, coupled with sophisticated marketing tools to allow us to recruit players through our various channels in a controlled and optimized way and at scale. Matt will go into more depth on this later. And identify and invest in valuable players through sophisticated segmentation and personalization tools.

4) And lastly, on this, our well-established partner and affiliate network, built around our proprietary affiliate platform, is a meaningful contributor to cost-effective player acquisition.

Responsible gambling, this is an area that the industry absolutely needs to get ahead of to protect our long-term TAM and avoid some of the political interventions that we are seeing in a number of international markets. It's also the only way to build a sustainable business where our players enjoy a safe and entertaining experience.
We are and will continue to be a leader in this area. Our proprietary RG tools put the power to control personal play in our digital players' hands through activity and deposit limit settings built into the product.
Players also have the ability to take time outs or self-exclude entirely, all done easily and quickly in the app.
We supplement these tools with investment in problem gambling research, stakeholder and employee education, player messaging through the product and in-player marketing communication.
On top of this, BetMGM has a dedicated team analyzing our player base for indicators of problem gambling at a player level and has a series of proactive protocols aimed at the 2 objectives: have fun, and play within your means.

I'm often asked about our secret sauce and respond that there are no silver bullets. Our business is a details business with a staggering number of interconnected moving parts, and without best execution, leadership is impossible.
So while the contributions and assets of Entain and MGM Resorts unquestionably confer competitive advantage, it's the team and people and operational excellence that breathe life into our players' experience and drive value from those contributions.

We have expertise across every critical functional area, including digital marketing, technology, product, payments, trading, the list goes on. The leaders of each functional area have relevant experience in sports or sports betting or iGaming, gained, both in the U.S. and internationally.
As I was building the leadership team, this was essential. Our sector is specific. And relevant experience brings insight into player motivations and behaviors, risks and opportunities, which allow for better decision-making at every level of the business.
It was the only way to ensure that we build the broader organization effectively from the start and quickly. We have scaled the business and the team quickly during COVID, going from less than 150 staff to over 500 now.

What I find particularly rewarding is that scaling a business at pace is not easy in normal times. We have scaled during COVID, with everyone working remotely. And at the same time, we've achieved employee engagement scores, rarely seen by the survey company we use. On top of that, we have achieved a Glassdoor rating of 4.8 out of 5.
One of my proudest professional moments was to have been named a Best Employer in the U.S. by Glassdoor in 2021. We came 20th out of all U.S. companies up to 1,000 employees, of which there are over 300,000.

This speaks to the caliber and leadership skills of my senior team and the values that we live by at BetMGM. While not the whole answer, of course, this is a critical component of our special sauce.

On TAM, we have taken a long-term approach in this latest estimate, with the U.S. opportunity at $28 billion, broken down into sports betting at $14 billion, assuming adoption by 36 states, with spend per adult at $90. iGaming is upgraded to $13.4 billion as a result of broader state adoption and spent per adult of $160.

We've upgraded spend assumptions based on actual performance in New Jersey, the fast start we have seen in Michigan and continued strength in Pennsylvania. The assumptions around long-term state adoption are clearly impossible to validate at this point, but the trend remains very positive. As we've seen recently in Arizona, Maryland, Wyoming and New York.

The macro forces at play support wider state adoption too. For example, there is growing recognition of the existence of the illegal market by law and policymakers. This is critical, because once there is recognition, it is irrefutable that it is better to be legal, visible and taxable than in the shadows.
The need to generate tax revenue as we emerge from COVID needs no further discussion. Another factor is that influential media and sports properties are also seeing the value for themselves in terms of both direct dollars but also fan engagement.

In iGaming, another consideration is that commercial casinos are seeing that digital gaming represents more of an opportunity than a threat, and directing their influence and investment accordingly, rather than being the blocking force of days gone by. So if anything, long-term penetration in iGaming could well be greater.

New to our estimate of overall TAM, is Canada, at $4.4 billion. BetMGM will be participating in that market. We expect penetration of 65% of the Canadian adult population. We've used lower spend per adult assumptions compared with the U.S. These are more broadly in line with the U.K. until we know more. We are not guiding to a market share target yet for Canada, it's premature, and not a simple extrapolation of the U.S. The market dynamics there are different, given long-standing gray market operations.

Our market access position is strong with no meaningful gaps now that we have secured digital market access for sports in Illinois and have a path to market in New York.
We are live in 12 states, 10 of which are digital, 2 are retail, 4 of those include iGaming.

If legislation and regulation go to plan, we're aiming to be live in about 20 markets by this time next year, addressing nearly 40% of the U.S. population.
As we look to the future, we have already secured access in 24 states with more in advanced stages of negotiation and which should be announced in the coming weeks.
We've also set out our current and in-progress retail sportsbook states, which, as a reminder, are key to our omnichannel strategy.

BetMGM is demonstrating our ability to build the leading market share in states where we have all our structural advantages available to us. Michigan is the best example. But also, our ability to win even when some of these advantages are not present.

Let's start with Michigan. We launched on day 1, alongside a group of other operators after a successful pre-marketing phase, including early registration and deposit, M Life database marketing, VIP activation, working with MGM's VIP team, on-property marketing at the MGM Grand Detroit, which is the leading commercial casino in the state.
All 3 gaming products are allowed, supporting cross-sell, and great local team and media partnerships were in place well before launch.
Our results in the state have been remarkable in my view. And while the online market is only 90 days old, incredibly so, BetMGM has captured 37% of total online GGR since launch, competing for leadership in sports, and frankly, crushing everyone else in gaming.

Colorado is a different use case, sports only, so no cross-sell or gaming advantage, no MGM property. Daily fantasy sports were allowed there prior to online sports betting. There are lots of operators, including all of the current leaders and Tier 2 aspirants. On the plus side, though, we were there on day 1. We had a good partner in the Broncos. We had the rest of our formula in place, including a competitive online sports betting product, and our marketing ecosystem and affiliate infrastructure in place and also M Life activation.
We think our results are compelling. By our estimates, we are #1 in the market with 47% share in February.

Bottom line; Toe-to-toe, BetMGM is able to win in the heavyweight division of online sports. And in states like Michigan, where our full arsenal of advantages can be brought to bear, we are asserting our dominance.

The last use case is New Jersey. As you all know, it's the most developed and arguably the most competitive state with the largest number of operators and is an expensive media market. It's a state where we only launched the BetMGM brand and full digital sports product a day before the '19/'20 football season, so a late joiner.
Having said that, the market does allow all-digital products, which plays to our strength in gaming, and we do have the benefit of the Borgata property, which, while not branded BetMGM or MGM, contains a BetMGM branded sportsbook and is the premier property in Southern Jersey.
So have we made an impact? Well, we are now achieving online sportsbook market share north of 10% and are firmly in third position in OSB from pretty much a standing start a short time ago.

We have been the #1 casino operator for some months now, but I'm excited that in March 2021, for the first time, BetMGM has overtaken the Golden Nugget license, which includes all of Golden Nugget, FanDuel's Betfair Casino, SugarHouse and BetAmerica. This license was double our size in the same month last year.

Month-to-date in April, we are also ahead of our record-breaking March, so the outlook remains strong.

Last point on this slide. As we look to the future, we expect new states to look like Michigan and/or Colorado as opposed to New Jersey because BetMGM has secured market access and demonstrated our ability to launch on day 1 in an effective way. So we will be there on day 1, wherever possible.

To me, this slide is best at bringing together the spectacular progress we've made and the momentum in the business. It shows that we can roll out at pace and launch on day 1 in new markets. In the 12 months to January this year, we successfully executed 12 major state and product launches with the last 5 delivered in only 87 days.

All of the work done during the COVID shutdown in every aspect of the business, really started to bear fruit as sports returned, and we launched in new markets later in 2020 and early '21, driving up our monthly GGR by 400% from September to March, and resulting in our current, clear and growing #1 position in iGaming and top 3 position in sports. And for the GGR skeptics among us, I've already shared our Q1 NGR with you. Our growth is real.

So to summarize, the business is performing well ahead of expectations in both sports and gaming and all this supports our confidence in achieving $1 billion of revenue next year.

My last message is one picked up by one of the major European analysts recently and relates to our current position in the market, current. Based on total GGR in online sports betting and iGaming in the U.S., we estimate that BetMGM has taken overall second position in the market in February this year, having more than doubled our market share since October.
While there are some estimates in this analysis where data is unavailable, the message is clear, BetMGM is already a force in this market. We have credible leadership ambitions. Our MGM-related strategic advantages of real, evergreen, and will only get stronger as the world transitions to a post-COVID environment.
Our Entain-related advantages around product and tech quality and unrivaled speed of delivery will ensure that our competitive position in these areas get stronger, too.

With that, I will hand over to Ryan Spoon, Chief Operating Officer of BetMGM to go deeper. Thank you.

<u>Product</u>

Ryan Spoon^
Thank you. As Adam described and demonstrated, we have experienced tremendous growth over the last 12 months. I'm going to talk about the product, the technology and the platform that enabled this growth and will drive us forward.

First, we have 4 primary touch points with our players: Sports betting, iGaming and casino, retail and omnichannel, obviously alongside MGM, and our loyalty and rewards platform, also alongside MGM and the M Life program.

We believe we are world-class in each of these, but magic and our advantage is how they are all connected through our digital and our physical experiences.

And through these channels, we have 4 core product principles that drive and unify the experiences.
The first, simplicity, delivering a modern, clean, easy-to-use interface;
Second, speed, defined by reliability, usability and security;
Third, creating a live product environment from in-play betting to live streaming inside the app, to live dealer-hosted casino games; and
Fourth, personalization; packaging all of that up together in a personalized experience that is rendered specifically for each player during each session.

And all of this is enabled by our own proprietary tech platform. Let's dive in there.
Our technology powered by the Entain platform is a meaningful competitive advantage.
First, the platform enables full customization and operation of multiple brands and without requiring significant development or cost. Products can be fully differentiated either by user persona or by the theming of the brand such as BetMGM, Borgata and Party Poker.

Second, we have the best-in-class omnichannel experience. From retail to digital and vice versa, we provide players with a seamless connected user experience. Beyond those channels, we also have best-in-class integration capabilities, which enables us to work with a variety of partners in a variety of ways. Yahoo, for instance, is fully integrated via an SDK. And our Buffalo Wild Wings partnership done via a geo-targeted experience. But most important is our suite of proprietary product sets. We have our own sportsbook, our own casino featuring our own games and titles, our own Poker and Bingo products.

And not only do we own these products, but they're fully integrated with one another, which enables cross-selling and upselling of the user and seamless player movement throughout those products. And all of this is powered by Entain's platform.
The same platform that has powered Entain's performance and enabled them to outgrow the markets in which they operate.
It is massively scalable, powering billions of interactions and bets each month, the platform is fully configurable, and it is built with proprietary personalization, CRM, BI and player protection systems.

Our tag line, which you saw in the opening video, is The King of Sportsbooks, and we are just that. We are tied as the top-reviewed sportsbook app in iOS app store. Our scale is significant and it's growing.

Each day, over 2 million bets are placed across the Entain platform. They span across 90 sports, from the NBA to UFC to international basketball to even table tennis. And they span across various bet types, such as pre-game wagers, future markets, and live, in-play, wagering.
In fact, 43% of our total handle now comes from in-play betting. This scale is enabled in real-time by our tech platform and our trading tools. Furthermore, that volume represents meaningful player engagement and trade velocity. For these players, we truly are the second screen.

Parlays are another important and differentiated format for us, with innovative and fun tools like One Game Parlay, Easy Parlay Builder and Curated Parlay Boosts, we believe that we have the best parlay product and experience available. And that winning experience has led to more than 2x growth quarter-over-quarter, and these are among our highest margin offerings.

We introduced kiosks into our retail environments with simple, easy-to-use interfaces that mirror our mobile applications. The adoption has been impressive, and it is a growing and important channel for us. 33% of our Nevada retail bets now come from kiosks. We have nearly 200 in market across our various MGM properties, and we intend to expand that footprint.

BetMGM's gaming product, experience and results are unrivaled. We are the definitive market leader in U.S. iGaming. Our leadership position comes from our unmatched gaming library, our game-play experience, our integration with and alongside the sportsbook and it comes from our brand.

In total, BetMGM has 674 unique slot and table games. That library continues to grow across title, brand and format. In fact, Entain has over 6,000 games and more than 550 of those are developed in-house. We will continue to expand our portfolio as and where appropriate.
And of that library, we have an unmatched collection of exclusive titles in-house developed games like Premium Blackjack Pro and MGM Grand Millions.
5 of our top 10 titles were developed in-house, including our top game by handle and GGR. Our in-house games, again, exclusive to BetMGM, drive material usage and results and with improved economics. Over 70% of our gaming customers play these titles.
Live dealer is an emerging, innovative and fun new format where customers play table games live against dealers and in branded experiences.
These are private tables and games, with dedicated dealer teams and dedicated studio hosts, all delivered and played digitally. We've seen strong growth here with 15% of GGR now coming from live dealer games and this is an area where we will continue to invest in format and offering.

I've given a quick overview of how we think about our product experience and our player channels, now let me give a preview of some of the areas of investment over the next year that we are particularly excited about.

The combination of our momentum, our technology and our team has prepared us for full acceleration around the product and the business.
First, much of our road map is centered around on ongoing continual optimizations that helped achieve the growth Adam previously outlined and will help enable the growth that Gary will preview later in the presentation.
Our focus is on 2 centered areas:
The first, usability, making it easier, more efficient and more enjoyable for players to use BetMGM, from registration and onboarding to bet placement to withdrawal.
Second is gameplay, both within sports and iGaming. This includes the introduction of new formats, new features, and new titles.

Our rapid progress in these areas has been noticed, and it has been validated. In Eilers' latest industry report, BetMGM was named the Most Improved Sportsbook App. And as mentioned previously, our Apple App Store rating also puts us atop of the field.

In 2021, we are also focused on the introduction of new and exciting products. Examples include recent poker launches and a new fantastic poker experience soon to be released. The introduction of a fun, visually unique bingo game, the launch of a BetMGM horse racing product which will open us to a broad footprint of new players. And I've spoken already about the importance of in-play betting within sports and live dealer within gaming. Both are areas where we will introduce new products and expand our offering.

Lastly, we have a robust road map centered around our platform and our back-end tools. We believe that each of these areas are truly transformational to the user experience and to the business.
First, this year, we will be introducing a unified wallet and account.
As BetMGM geographic footprint and user base grows, a single account will make registration and gameplay easier for our players. It will also enable us to more effectively market to the user base and personalize their experiences.
Speaking of personalization, we are actively introducing new tools that enable customization and curation of the user experience. Using a balance of machine learning and editorial curation, we can present different experiences by time of day, day of week, sport and sporting event, user behavior and gaming preferences.
And third, we believe our marketing, our CRM and our partner integrations are already industry-leading, but we have a strong road map to keep driving forward there. Areas include improved customer messaging and targeting and better tooling for our affiliates and for our partners.

Now I'm going to hand it over to Matt, who will highlight how the platform and the product work effectively alongside our marketing, partner and engagement strategies. Thank you.

Marketing

Matt Prevost^
Hello. I'm Matt Prevost. I joined Adam on the journey to build BetMGM in January of 2019, when we were a small team called ROAR Digital, and marketing a product called PlayMGM, just in the state of New Jersey.
My online gaming experience started back in 2012 when I was appointed to be the Chief Marketing Officer of a 100-year-old U.K. betting brand and given the task of relaunching the Brand's digital business as well as building out a team in Gibraltar.
We became one of the largest digital gaming brands in the U.K. after our team achieved the fastest growth rates in the industry for 3 consecutive years. I later led the digital integration of Ladbrokes and Coral in 2016, which were both eventually acquired by Entain and is actually where I met Adam.
My experience in online gaming is bookended by more than a decade of private equity operating experience where I played a variety of executive roles at Cerberus portfolio companies, both in the U.S. and in U.K.

Here at BetMGM, I lead all commercial functions, which include marketing, sports, trading, gaming and BI. It's been an incredible ride thus far, and we are just really getting started.

Our overall commercial approach starts with the brand. At BetMGM, we leverage the trust associated with the MGM brand, built over decades as one of the largest entertainment brands worldwide. That brand naturally extends into our omnichannel efforts.
Resorts are not only a terrific source of new players, but equally important, they offer opportunities to retain our most valuable customers through unique experiences. We've enjoyed tremendous support from our MGM colleagues, particularly over the last 12 months. And this support has been a significant catalyst for BetMGM.
We also inherit Entain's technical leadership in building out personalized digital experiences across both sports and gaming and which Ryan spoke to just a few minutes ago.
From there, we extend our reach through a series of integrated media and sports partnerships.
All of this that I just mentioned is underpinned by our BI engine inherited from Entain.
As an aside, I helped build out this capability when I led the early iterations of the BI team at Entain from 2013 to 2015. This will be an area where we continue to invest over time.

Diving into each of the pillars.
MGM's 84% brand awareness yields improved ad efficiency and the ability to cut through an increasingly crowded competitive landscape. We can leverage iconic imagery, including the MGM lion, the Bellagio fountains, one of the world's largest hotels in the MGM brand and a host of many of the most famous sporting events in history.
Importantly, the brand spans across both sports and gaming. For example, in our recent Michigan launch, we've seen 75% of our sports betting players also engage in some form of iGaming. We've seen similar trends in New Jersey and in Pennsylvania.
As we look ahead, we have tremendous opportunity to build out the BetMGM sports brand, particularly as Vegas becomes more and more a destination for major sports events.
Across the country, we have rebranded all sportsbooks to BetMGM and will increasingly promote the BetMGM brand through our expanding set of retail books nationwide. The Borgata, the Beau Rivage, MGM Grand Detroit, they all feature the BetMGM brand. And it's this brand, coupled with our capabilities, that makes us very confident that we'll achieve our long-term target CPA of $250 per player.

Our omnichannel efforts, which is a key part of our overall strategy, extends and starts with our integration into the M Life loyalty program and its associated 35 million members. Every bet, every spin, every poker hand across all channels, earn player rewards. We reinforce this connection through our digital platform and have created a loyalty store for easy redemption of points from everything from rooms to restaurants nationwide.
From an acquisition perspective, 18% of all BetMGM customers in 2020 were active with MGM Resorts in the last 12 months. Their BetMGM earnings are now additive to their land-based rewards. For example, a customer with a gold-level M Life status at both BetMGM and MGM Resorts might find their way to platinum status. And unlock further benefits as well as building additional loyalty to our brands.
The remaining 82% of new BetMGM customers are also new to M Life. They've been issued M Life accounts for the first time, reinforcing this incredibly important connection and also building a pipeline of new customers for MGM Resorts.

Back to the resorts experience. We've significantly increased the presence of the BetMGM brand on property, working closely with our colleagues on the MGM marketing team. Our most

prominent signage includes a 43,000 square foot sticker on the side of the Luxor pyramid, the size of a football field, visible from the airport as well as the end zone of Allegiant field. From the in-room TVs at the Aria to the 50-foot sign on the side of the MGM Grand Detroit, guests and visitors to MGM properties are made well aware of the BetMGM brand.
We'll increasingly expand these marketing activities to not only cover the big events, but also include an always-on message to promote BetMGM.
The best evidence of this effort is perhaps shown through our recent performance during March Madness, where we recruited over 8,500 customers from on-property sign-ups across the MGM portfolio.

So why so much focus on omnichannel? We believe that connecting players across retail and digital provides us with a sustainable competitive advantage.
First off, we see significantly lower recruitment costs, roughly 70% lower than other marketing channels.
More importantly, we see player values that are at least 50% higher. These are players that are already established themselves as having brand loyalty to MGM. As a result, we see a marketing ROI that is nearly 6x the return that we see in other channels.
Interestingly enough, it is almost the exact same leverage we saw in 2014 when we launched the industry's first omnichannel product back in the U.K. with the Coral Connect card.

The importance of omnichannel will only increase over time as the world returns to MGM Resorts and entertainment post-COVID. We could not be more excited to take our omnichannel efforts into the great state of Maryland with MGM National Harbor and also into the Vegas-adjacent market of Arizona.

Back to digital. Central to our competitive advantage is a set of personalization tools that are embedded into our core platform. Ryan spoke to many of these earlier. We have modular content and the ability to deliver targeted messages to specific cohorts of players.
Moving to this personalized approach has allowed us to see a 75% increase in engagement with our player communications over the past year.

Our capabilities in casino are very well established, where we leverage decades of experience from both our team and from Entain. We believe this is reflected in our gaming market share.
Sports will continue to be refined as we approach a more normal sports calendar finally in 2021, and frankly, get more operating history.

Our personalization and data analysis also drives our promotional strategy where we focus on delivering the right offer to the right segment at the right time.
In acquisition, we optimize offers across states, creative, channels and prior channel performance.
In retention, we expand our targeting accuracy with the benefit of transactional history.
We are just starting to leverage player preferences for teams and other attributes within state regional segmentation. A terrific example is the state of Pennsylvania, where team preferences as well as the betting patterns are very different as you go across the state.
This personalization capability is also shown through our real-time CRM tool set, named Grandstand by the team that pioneered its development in the U.K.

This effort starts with micro segmentation. In this case, we start with Joe, who's a player that we've identified as being interested in baseball, parlay betting, in-play and he has a favorite team in the Yankees. We deliver a custom offer to him before the event that matches is betting preferences. And then send further communications to him based upon his reaction to what we've said. This yields improved engagement and a higher retention rate over time.
As of March Madness, Grandstand and all its capabilities are now in place in all markets outside of Nevada.

We've secured an expanding set of partnerships that now make up 28% of all new player acquisition. Importantly, we invest in partners that share the same interest we have in delivering terrific customer experiences. These might be a fairly standard set of hospitality options at a suite, to a-money-can't-buy experience like throwing out a first pitch or riding in a pace car at a NASCAR event.

Our team investments concentrate our marketing efforts in the states that matter the most to BetMGM and personalize the experience to local fans. We're confident that many of these partnerships were keys to our market share gains as of late, particularly in states such as Tennessee and Colorado.

Our media partnerships involve joint investment in product and content. Good examples of what we've done with the Athletic, and Odyssey or in-venue experiences such as Buffalo Wild Wings, where BetMGM customers that visit BWW earn a geo-targeted offer that is only available at that venue. We seek out those partners that are entrepreneurial in their own right, and we'll continue to expand our investment in partnerships that fit our strategy.

Perhaps our best example of this partnership approach is evidenced by our relationship with Yahoo! Sports, which has now become our #1 source of new players across all our partners. The scale of Yahoo! Sports is significant, reaching 70 million fans a month, including one of the largest fantasy audiences nationwide.
We have jointly developed the product to include single sign-on and an increasingly seamless experience from bet interest to bet placement. We've also developed content that promotes both the Yahoo! Sports book as well as BetMGM.

Finally, we build our commercial business around our BI engine, an area where we fully leverage the insights from Entain, while investing heavily in our own right.
In acquisition, we use predictive analytics to refine our marketing investments each and every day. With ROI calculations performed across every offer, event, state, product and marketing channel.
We're forecasting out our first-time depositor volumes in 2021 to increase more than 300% year-on-year.

In conversion, our efforts have yielded a 31% improvement in conversion from registration to deposit, which has made a significant impact in our marketing efficiency in the past year. We're able to pinpoint the exact point of player drop off in the funnel and refine our approach across

product and CRM efforts. These conversion efforts have directly impacted our ability to secure market share in the past few months.
On the retention front, our segmentation efforts are not merely analytics that produce fancy PowerPoint slides. They are embedded into our CRM tool set and our on-site personalization.
We've seen the direct output of our efforts with a 55% year-on-year increase in average player days.
We're going to continue to invest in our BI engine to expand its impact across BetMGM.
Organizationally, this is a key area of focus for me, given my prior experience, and will continue to be in an area of investment over time.

Look, I am incredibly proud of the BetMGM team and what we've been able to achieve thus far with the support of both MGM and Entain.
As we look forward, we believe our focus on our 4 pillars outlined earlier, brands, omni, personalization, partnerships, all underpinned by BI, will lead to further success in the years ahead.

With that, I'm going to hand over to Gary, who will review our financials.

<u>Financials</u>

Gary Deutsch^
I'm Gary Deutsch. I joined as CFO in July 2019 after spending over 10 years CFO’ing in early-stage and growth phase tech companies. This is my first time embedding and gambling, but as much as anything, I view BetMGM as a rapid growth tech company. Whatever the label, I've had a fascinating journey so far.

Before we get into our numbers themselves, I think it's important to frame that this business is really a portfolio of businesses. When we think about forecasting and tracking KPIs, we think about planning and reporting for dozens of distinct businesses.
This is when you consider the different states and then the different products, digital sports, iGaming and retail sports. Each business can have distinct financial drivers, which I will highlight as we move through my presentation.

Beyond our assumptions for TAM and market share, our full company model is the product of the blending of the different businesses, based on the unique unit economics of each, as well as the timing of launch, and the state of maturity at a given moment. I'm fortunate to have assembled some great finance and accounting talent at BetMGM. They enable us to model and track each business down to the user cohort level. Given the rate of change in the industry, we joke that we operate in continuous forecasting mode, as new actual data and legalization forecast roll in, we refresh and refresh. I can tell you, this industry is a one-of-a-kind playground for FP&A aficionados.

To finish my prologue here, I want to make a comment about GAAP. I'll be talking about net revenue and profit margin from operations in this presentation. The figures will be based on how management analyzes the true economic performance of the business. They are not figures prepared in accordance with GAAP. A description of how we would calculate net revenue under GAAP can be found in the presentation provided on the web in advance of this call.

Okay. As Adam mentioned earlier, our top line has become quite significant and quite fast. Our net revenue from operations in Q1 of this year was $163 million. As noted on the slide, Q1 represents 114% sequential quarter growth. And it's almost 90% of the total revenue earned in the whole of 2020.
Our forecast points towards 2022 net revenue from operations exceeding $1 billion. We look forward to the new state launches ahead, particularly Ohio, Maryland and Massachusetts, where MGM has properties. With the states already live today, in their own right, put us well on our way towards that 2022 goal.

I will be talking more about profitability as I move through my slides. But probably, you've already seen some guidance earlier from Matt. We are pointed towards healthy long-term EBITDA margins of 30% to 35%. Obviously, when that target is applied against both our TAM expectation and our market share target, we are talking about a business we expect to deliver very substantial long-term profitability.

Also, as was mentioned earlier, we expect to draw and consume for both OpEx and CapEx, a combined $450 million of investment from MGM and Entain in 2021. This is on top of the $210 million already invested through the end of 2020. We expect 2021 to be our highest annual cash usage.
As Bill and Jette indicated earlier, both MGM and Entain remain committed to our continued efforts to increase our long-term market share and to achieve our profitability targets.
Of course, within the detail of capital planning, there are many unknowns. The most significant unknowns include future market access and licensing costs, as well as the timing of state-by-state legalization. In some cases, slower legalization leads to less capital consumption as earlier businesses hit profitability and then fund later launches.

Let's now get inside the business to understand how we scale. To do this most effectively, I'm going to focus on the evolution of an individual state model through 4 phases. Within this journey, we will also discuss the economics of an individual monthly cohort of new players. We will look at how cohort KPIs evolve as a cohort matures and then how sequential cohorts stack, to form the total P&L and metrics for each product in each state.

The 4 phases of the evolution are:
Acquisition; when we are investing heavily in marketing and promotions to sign up new players;
Contribution breakeven; when we've added enough revenue-generating players to cover a period's operating costs plus the acquisition cost of new players in that period. As I will describe, we expect all states to be contribution positive by the time they are past 2 years of operation with some getting there in less than 1 year.
Cumulative payback; this is when we have generated enough cumulative positive contribution since state launch to have covered all of the cumulative negative contribution, plus any upfront investment costs, such as license costs, or market access partner payments.

Growing profitable annuity; This is the phase when the majority of cohorts have matured to being a stable group of real money players. At this point, acquisition marketing and promo costs are a small percentage of revenue. Nevertheless, growth continues to be fueled by new cohorts that add to the large player base.

All right. Let's now go deeper into these 4 phases. I'm going to explain how state-specific and product-specific dynamics can influence the economics within each phase. Along the way, I'll also provide you some fun facts that give real-life color on how BetMGM is experiencing these phases in our business today.

Acquisition. Player acquisition tends to spotlight while the industry has been blossoming. It's also, of course, the biggest cost in our business today.
At BetMGM, we are the beneficiaries of distinct marketing efficiency advantages as a result of our relationship with MGM. We leverage MGM properties and data resources to create direct touch points with potential players. MGM holds established relationships with millions of real-money betters in America. Additionally, millions of players walk through MGM properties each year.
Nevertheless, the acquisition environment is different in each state. This impacts our necessary level of investment in player acquisition. Key factors include: is there an MGM property in the state or nearby? Are we entering a state at the first moment of legalization? And are we entering with multiple products that facilitate cross-selling?
Additionally, and this applies both to player acquisition and the coming slide on breakeven, the number of competitors and available skins in estate certainly has an impact on costs, particularly media costs.

In Tennessee, one of the states where we entered on day 1, we experienced digital sports CPAs in Q1 that were 41% lower than those in New Jersey.
In Michigan, where we are live with both digital sports and iGaming, for all digital sports players from inception through the end of March, 75% of them engage in iGaming as well as sports.

For all the good news we experienced in our Q1 acquisition efforts, I don't want to obscure the reality that on a player count basis, new cohorts churn out a significant number of players in the first 2 months. This is to be expected for such a new product. The vast majority of American adults have not yet been qualified as the recreational sports better. They need the opportunity to sample, and that's what our promotions offer them.

Regarding churn, we are seeing that the majority of player churn happens in the first 3 months after sign-up. However, revenue churn is much less, and it can even flip to positive in a month, depending on the quirks of the sports calendar. This is because the BetMGM marketing net that we cast catches a mix of players, some of whom prove to be real money players and some of whom are simply samplers.
The samplers typically generate little to negative revenue before they churn out. While the real money players generate positive revenue from the outset.
In fact, as we show in the graph, a value per active player metrics increase significantly as the cohort matures. This is because the samplers are getting dropped from the weighted averages and real-money players increase spend over time as well. With our industry expertise as well as our

BI analytics capabilities, we were able to continually refine the precision with which we cast our net. Still, we should expect the marketing net to remain more broad than narrow as we move through our new state launches.

Because I know this question will come up in Q&A, I will guide that CPAs have run, and are expected to run, higher for iGaming than for digital sports, and this fits with our experience as well as our knowledge that player values are higher for iGaming.
That said, our experience with omnichannel acquisition in Michigan, for instance, has delivered CPAs well below what we had expected. And as Matt mentioned earlier, we continue to target long-term blended CPAs of $250.

On to the next phase. Contribution breakeven. We are seeing that after the initial investment in player acquisitioning costs decrease, individual cohorts can achieve positive contribution in 2 or 3 months. This means that a cohort's net revenue has exceeded its direct operating costs in that period.
For a full state or product P&L, the focus is, how long until all of the positive contribution in a period from the positive cohorts exceeds the negative contribution from the newer cohorts, including the acquisition costs for the newest cohort in that period.

The build of the graph in this slide demonstrates how multiple cohorts layered together to achieve breakeven. And then flip to positive contribution, as we've indicated in the slides, breakeven occurs when the solid gold line crosses the X axis and then continues to grow from there.

Again, state-specific and product-specific factors influenced the time to contribution breakeven. Tax rates obviously play a factor as do market access arrangements, such as any revenue shares with partners. Population characteristics within a state also, of course, influence player values.

Our new digital sports state of Virginia is already showing the higher value of our players in that market. In March, our NGR per active player was the highest of any of our digital sports states. This figure also illuminates the value of our MGM relationship and the coordinated work of the team at the MGM National Harbor property. They helped point us right away to qualified real-money players.
Overall, this early success in Virginia highlights our broad excitement about the capital region. We have, of course, this affiliation with National Harbor, and we are planning for a major retail sports presence there. Plus there's the coming legalization of Maryland, and then of course, our deep partnership with the Washington Nationals. We are currently in the process of opening a BetMGM sportsbook at their ballpark.

As you can tell, we are also clearly excited about Michigan. With the success of our omnichannel efforts, and with our favorable cost structure, we pay no market access revenue shares. We expect to hit contribution breakeven less than a year from now for the combined digital businesses.

As broad guideline, we project each digital sports business to hit breakeven at 12 to 24 months from launch, where our iGaming businesses hit it at 10 to 14 months.

Let's move now to the question of return on investment. The next phase of evolution is achieving cumulative payback of our investment in a state. The focus becomes paying back all in-period contribution losses since launch, which include acquisition costs, as well as any upfront costs. Upfront costs could include license fees or onetime payments to market access partners, some of which may be capitalized. These upfront costs can be one key determinant of payback timing, but also, of course, are the CPAs we achieve as well as the state-specific costs and the player value dynamics previously discussed.

The graph at the right of this slide shows how New Jersey NGR has built and is projected to build through 2022. The revenue from the cohorts from each new year layer on revenue from prior year cohorts.
The graph also shows how contribution flips from negative in 2019 and which was our first real year of operation in New Jersey, to just positive in 2020 on the back of our larger revenue results from iGaming. This year, we expect to move to the point of full payback.

For mid- case guidance, we expect a new digital sports business to pay back in about 3 years and then iGaming business to pay back in about 2 years.
In the favorable conditions in Michigan, where, as you know, we are engaged in both iGaming and digital sports, we expect to hit payback in about 2 years for those combined businesses.

On to long-term profitability. On the backside of reaching cumulative payback as the state enters the next phase, growing profitable annuity. This is when we enjoy a steady state during which profitable cohorts significantly outweigh investments in new cohorts. Those new cohorts, nevertheless, still provide continuing growth.

This points back to the dynamics we discussed on the slide about acquisition. Per player value metrics rise in maturing cohorts as samplers move out and cohorts then stabilize for the long term. The data on the slide brings this point to life based on our experience in New Jersey.
In the bar charts, we look at the revenue and player retention metrics for cohorts that have reached a level of maturity, with maturity in this case defined as all players who started with us in June 2020 or earlier. For that group of players, we actually had revenue growth of 14% from this past Q4 to this just finished Q1.
Active players were also quite stable, with a 96% retention rate over that span. This data combines to show an 18% increase in our revenue from each active player during that time frame.
The other fun fact about New Jersey on this slide highlights that revenue per player for cohorts active in Q1 2020 increased by 147% in Q1 of 2021. To be fair here, we define Q1 for both measurement periods as just January and February, because March 2020 was mostly lost to COVID.

Lastly, before moving to full company profitability, I want to remind that, of course, we need to keep our eye on the ball. The long-term annuities would be at risk if we didn't remain passionate. Passionate for engaging players with the best loyalty and retention programs for providing outstanding customer service and for delivering a best-in-class product experience.

For this last slide, we show a view on long-term expected margins, gross margin and EBITDA margin for the company. We also guide that we expect our long-term EBITDA margin, inclusive of the retail sports business too, to be between 30% and 35%.
Our margins distinctly benefit from the structural advantages BetMGM uniquely enjoys.
As you can see from our bar chart, which is based on our view of the business at long-term scale, gaming taxes are our biggest single cost category. iGaming is generally more highly taxed than digital sports, which weighs us on the higher end of the tax spectrum given our leadership in gaming.

Our operating costs include a number of items. I'll start with the revenue shares for market access. For us, these are fairly low, given all the significant states where MGM has a presence. BetMGM pays no market access fees to MGM.
Other operating costs include the systems and services that support operational delivery. These include data center costs and third-party systems for meeting geo location and KYC requirements. Then there are the largest cost in the cluster, which are payment processing and royalties. Royalties flow to third-party casino game suppliers and to sports content providers that support in-play and prop bets, in particular.
As to game royalties, we have a significant cost advantage as a result of a large portion of our casino revenue generated from royalty-free Entain games. The portion of revenue from these in-house Entain games has been steadily increasing.

Our costs also include direct labor. These people costs include our trading, customer service and risk and payment teams. In the case of trading, we have a cost advantage as we get, cost-free around-the-clock support from Entain's global trading team. For customer service, we leverage Entain's established low-cost operational centers overseas.

As noted earlier, the line items on our management-focused P&L are not intended to align with GAAP. Our gross margin, as articulated here, does not include, for instance, any depreciation of capitalized licenses or upfront market access payments.

While I've touched on some of BetMGM's structural cost advantages listed broadly here on this slide, I now want to call out, and in some cases, remind of, a few more highlights unique to our BetMGM economics, ones that more broadly impact the full top line to bottom line P&L.

The first advantage is direct access to over 35 million known, qualified betters through MGM. This has an impact on both revenue and marketing costs. As Matt discussed earlier, we are seeing distinctly higher per player value from players who have also been active at MGM properties.
Another benefit driving our marketing efficiency beyond all the benefits of the MGM omnichannel touch points and their brand, is the impact of us reaching a scale that supports national advertising. While I've already touched on the financial benefits driven by access to Entain's casino games library and to their operational resources, I feel that I somewhat buried a bigger lead.
The headline, of course, is our full access to Entain's tech, their platforms for digital sports, iGaming and retail sports, as well as dedicated development resources. These resources continually refresh and adapt the technology to the latest needs of our players and our regulators.

We do not pay Entain for access to the software or, up to a robust threshold, for custom development work done on behalf of BetMGM. Entain is committed to providing BetMGM with millions of dollars of bespoke development work every year as directed by the leadership of BetMGM.

This concludes my presentation and I look forward to taking your questions.
This is a very exciting, stimulating business, and it certainly keeps us on our toes in the finance area. It has also been a delight to be in a company where to-date, we regularly outperformed our forecast. And one thing has certainly held true to what I was advised when I was being recruited. When the little league parents get together and chat about work, I'm always the most popular person.
And I hope it is enjoyable taking your questions now as it has been explaining what it means to be a negative 125 favorite to confused dad friends.

And now I'd like to pass it back to Adam before we get to the Q&A.

Summary

Adam Greenblatt^
Thank you, Gary. We certainly covered a lot of ground today. I hope you enjoyed hearing from some of the team and found the material both interesting and useful.

Before we move into questions, I'd like to remind you of the key takeaways.

We expect the overall North American market to grow to $32 billion over time and are extremely well positioned to take advantage of this opportunity through our sustainable competitive advantages conferred by MGM and Entain and supercharged by operational excellence of an award-winning team.

These competitive advantages will allow us to become a lasting industry leader with 20% to 25% market share in the U.S. over the long term.
This is not a crazy unsubstantiated ambition. We are already achieving 22% market share in our live states.

We and our shareholders are here to make a profit, though, and are confident that through our advantaged cost structure, we can expect long-term EBITDA margin within the 30% to 35% range.

More proximately, based on our current run rates in live markets and line of sight to new state launches, we anticipate achieving $1 billion of net revenue in 2022.

It's been a pleasure to talk to you about our journey so far and thank you for your attention.

QUESTIONS AND ANSWERS

Operator^ Welcome back to the BetMGM Investor Day. We will now begin the Q&Q session. And our first question coming from the line of Ed Young with Morgan Stanley.

Edward Young^
The first one is on MGM sourcing, and the second is on your strategy in Canada. So on the MGM sourcing, you said that the GGR for those customers is over 50% higher. Why is that? Is that higher spending like-for-like? Or does it reflect different product or iGaming mix?
And a sort of part b to that, if I may, on the MGM sourcing. You're targeting the CPAs at about $250. That's similar to the targets set up by your closest competitors, the DFS peers, but you've got a much lower -- low or no cost mix, the 30% to 40% come from their DFS databases, only 18% so far comes from M Life. So should we expect M Life mix to go up? Are you saving elsewhere? Are you outperforming the market in terms of acquisitional conversion? If you could help us understand that, that would be great.
And the second, I guess, is for Adam. It seems a bit of a change to have BetMGM address the Canada market. One of those great market operators you spoke about the current year obviously Entain with Bwin predominantly. So why the change there? And are there even other global markets you'd consider looking at with the JV?

Adam Greenblatt^
Super. Ed, nice to hear you, and thanks for kicking us off. Matt Prevost, I'll deal with Canada first and then hand to you for the MGM sourcing question.
Look Ed, your observation is right. I think together, the Board felt that there was opportunity for BetMGM to build on our brand presence. And in fact, as we look north, we think our recipe in -- the recipe that we're bringing to bear in the U.S. would be relevant and effective in the Canadian market.
Both brands would, at this point, according to the agreement that we've reached, both brands could coexist in that pocket, in the Canadian market.
And so just to set your future expectations. In terms of other international markets, it's not something that we've discussed in any depth so far. But look, we've got very sophisticated, rational shareholders. And to the extent it makes sense for BetMGM, it's certainly something we could consider in the future. Matt, I'll hand over to you.

Matt Prevost^
Sure. So you referenced that 18% of our players that have been recruited through MGM properties that were active with MGM in the last 12 months. We definitely expect that to increase really for 2 reasons.
First is that post-COVID we expect, obviously, much higher visitation at MGM Resorts. And then second, our activation activities really kicked in Q4 of last year, where we got both the digital and the retail activation communities rolling. As we look ahead into the future with states like Maryland, Ohio and Massachusetts on the horizon, we would expect omnichannel to be much higher percentage of our overall total recruits. And we think, again, that's why we're very confident with the $250 long-term CPA. We might get there sooner than perhaps some of our competitors. But again, I'm not trying to forecast what others are doing.

Edward Young^
Great. And in terms of the much higher spend for MGM sourced customers, why do you think that is?

Matt Prevost^
Well, first and foremost, these are customers that have established themselves as gamblers and interested in gaming generally. We enjoy the benefits of relationships with customers formed through our MGM colleagues. And again, this is a set of customers that have a degree of loyalty to the MGM brand, and therefore, have higher retention rates than what we'd see through normal marketing channels.

Operator^ And our next question coming from the line of James Rowland Clark with Barclays.

James Rowland Clark^
The guidance today of the total investment of $450 million in 2021, can we assume therefore, that the net loss of the JV is around that number in 2021?
And then I guess, you said that, that's the sort of the trough of losses. So should we expect losses still in 2022 and '23? And I guess when do you think you'll breakeven as an entity?
And then the second question is on retention. You've got a slide in there, I think it's on Slide 38, showing the curve of retention over time after the months of acquiring customers. You say you're seeing 96% retention at the moment, Q1 versus Q4. So where do you expect that retention figure to land? And I guess why is it so strong Q-on-Q so far?

Adam Greenblatt^
James, thanks for the question. Gary, I'm going to hand to you to -- in fact, to deal with both of them, and I didn't want to steal your thunder about the expectation of getting to overall profitability. But why don't you take those 2?

Gary Deutsch^
Sure. Thank you. So you're directionally correct with the $450 million. I mean the $450 million does cover a mixture of OpEx and CapEx, and we have CapEx related to licensing, and we have CapEx related to some retail builds that we're doing. So from a standpoint of a net income loss, it would be less than what you've guided, but you're in the neighborhood there.
When we think about the cash and the losses, we expect this to be our lowest year in terms of cash trough, as you called it. Next year, we'll certainly have losses, and we would expect, when we get into 2023, towards the front end of that year, we'll be into the black. Obviously, things change, things can move out, things can move in, but that's the working assumption on that front.
And when you talk about retention, the retention that we're highlighting there are mature -- well, nothing is too mature in this business yet, but the mature end of the cohorts that come from New Jersey. And we're seeing that once they get through what I would call like a fast churn-out period that I alluded to that we lose many of these samplers in the first 3 months, then they stabilize. And once we get out of sort of 6 to 12 months, we expect very little quarter-over-quarter churn in a revenue standpoint and in a player standpoint at that point.
So what I was saying is even at the front end of the cohort joining us, the revenue will stabilize fairly quickly because the real money players that are coming in are betting from day 1, and

they're -- we're dropping the ones that are either negative revenue or not really revenue at all. So revenue retention quickly is in the realm of neutral to positive, depending on if it's an uptick quarter for Super Bowl or March Madness. And then from a player standpoint, it will stabilize very strongly after about sort of 8 to 12 months.

Operator^ And our next question coming from the line of Thomas Allen with Morgan Stanley.

Thomas Allen^
So my 2 questions -- first, in operations. One, you talked about improving the conversion rate from sign-ups to deposits by 31% over the past year. Can you get into little bit more detail how you've had such success?
And then the second one, more of a numbers question, you did $163 million of net revenues in the first quarter, which is really good. Any reasons why we can't just assume you can annualize or times that by 4 to kind of get to a 2021 revenue? Or are there reasons why it should be a lot higher or a lot lower?

Adam Greenblatt^
Thanks, Tom. Matt, I'll deal with the financial -- the seasonality of financials first, and then I'll hand to you for the improvement in conversion rate part.
Look, we're not in normal times. So a couple of things that are obvious. Obviously, the seasonality of the sports calendar in a normal year has about 25%, if we use the historic Vegas performance as a reference point, you see about 25% of the year's value in the first quarter. And then a seasonal dip in Q2, picking up into Q3 and then really lift off in the final quarter.
The reality, however, is that we're not in normal times. We are likely to see some impact from mass immunization -- mass vaccination as we enter the summer period, and everyone wants to go on holiday.
So that's uncertain. So while there is an attraction to just multiplying by 4 and in a normal year, looking through the seasonality, the dips -- the dip and pickup that I've talked about, Q1 would represent about 25%. I just signed post the fact that it may not go exactly according to the historic trends this year for -- because of the macro factors.
Matt, can I pass to you for the comment on the conversion rate improvements?

Matt Prevost^
Sure. So the conversion rates are really centered around 2 areas, in particular. One is the on-site experience. We've added a whole range of payment methods in the last 12 months that have really contributed to our improved conversion rates. We've also improved the actual cashier experience quite a bit and the supporting CRM communications throughout that process.
I think the other part of this is related -- the second part is related to our relative brand momentum. To compare what we were 12 months ago to what we are now, we have much more brand presence. And you also have the impact of new state launches where we see an improved conversion rate, certainly at the outset of each state opening up.

Operator^ And our next question coming from the line of Gavin Kelleher with Goodbody Capital Market.

Gavin Kelleher^

Just a few for me. First up, just on your TAM, it's very clear how you break it down. Can you just give us, like, broadly speaking, what year are you referring to there? Is it 5 years from now? 10 years from now? What do you mean by long term? And that's my first question.
And my second question is to do with just back to the $450 million guidance for this year, could you just give us -- you've noted that there's a bit of CapEx. Could you just give us, broadly speaking, how much the CapEx is within that?
And then just one question on product. How extensive is your horse racing products you're going to launch? And in which states will it be available?

Adam Greenblatt^
Great. Gavin, thanks for the questions. Gary, I'll deal with the first question then hand to you for the question around CapEx and Ryan, to you, around the racing reach.
Look, Gavin, on TAM, we've deliberately not sought to put a time on it because really, after we get through this immediate wave of state launches, then we get into the vagaries of state legislative processes and regulatory adoption.
And so what we're basically saying is, based on what we have seen, the initiatives by state that we have -- we can see today, we think that through a cycle, 2 cycles, 3 cycles, we will see sports betting, hence the 65% in number of states. Exactly when that will end, it's unclear.
And the last point I wanted to make is that this is -- the TAM is not the end point. What we set out today is not the end point. What this really is seeking to communicate is the point at which we move through the super growth cycle and getting to a more normalized growth phase. My personal view is we've got decades of growth ahead of us in this sector.
That's all I want to say. Perhaps, Gary, I can pass to you.

Gary Deutsch^
Yes. I mean I'll be fast. I mean it's between 10% and 20% of that amount is going to be dedicated to CapEx.

Adam Greenblatt^ Ryan?

Ryan Spoon^
So on the horse racing side, yes, this is an area we are excited about. There's still some definition on our side product-wise to be laid out. But it is -- as highlighted in the presentation, it's an area of focus, of interest. We are building a team around that and that opportunity. And Matt has made some exciting hires and progress there.
How exactly and when exactly it rolls out? Some stuff to be understood and found out as we test our way into a broader launch. And one of the exciting parts of this opportunity is it has a different potential footprint. And we will work our way towards that in the ongoing period, and we're excited about that.

Operator^ And our next question coming from the line of Joe Greff with JPMorgan.

Joseph Greff^
I have one question on the TAM assumptions and then one question on your long-term profit outlook. On the TAM, can you talk about what's your underlying assumption for New York?

And then also, two, when you're thinking about the long term and that $32 billion or $14.1 billion for online sports betting, what do you think in-game betting represents as a percentage of the toll? I know you mentioned it was 43% of bets coming from in-play betting, but curious to what those 2 assumptions are for your TAM.

Adam Greenblatt^
Yes. Joe, thanks for the questions.
Look, on TAM, we -- New York is in -- I don't have the specific state forecast to hand, but we can certainly follow up with that. But our assumption is we -- yes, New York opens in a favorable way, and from a BetMGM perspective, we assume that we absolutely participate in that market.
In terms of the long-term profit outlook -- sorry, can you just remind me? I just wrote down long-term profit outlook. Can you just remind me of the second part of question?

Joseph Greff^
So in between, I just wanted to get a sense of how you think about the growth in the evolution of the number that's coming from in-play?

Adam Greenblatt^
Oh, for sure. In-play. Yes. Okay. So thank you. We're doing 43% -- we're seeing 43% today. If we look at more mature markets in Europe, they do about 2/3, 2/3 of bets are in-play. And that's, sorry to specify, that excludes horse racing. As you'd expect, very little in-play betting in horse racing.
There's no reason to believe that we wouldn't converge in -- towards that. And in fact, if anything, given the fit of in-play betting with U.S. sports: NFL, basketball, baseball, of course, we could likely see in-play representing an even greater share than we are seeing in relatively more mature European markets. So 2/3 is the data point I would refer to, I think with the risk on the upside.

Joseph Greff^
Okay. And then for my long-term profit outlook question, specifically referring to Slide 42, you have, obviously, margins and EBITDA as a percentage of net gaming revenue. I was hoping maybe you could help us understand what your underlying assumptions are for bridging the gross gaming to net gaming revenue relationship. What's that promo percentage of gross gaming revenue?

Adam Greenblatt^
Yes. I think that's not one we're ready to share with our competitors at this point, Joe.

Operator^ Our next question coming from the line of Simon Davies with Deutsche Bank.

Simon Davies^
I was hoping you could give us a feel for where you think marketing spend is going to go, as in once you reach maturity. And obviously, you've got various brand advantages. I'm assuming that you think it's going to be a much lower percentage than for your European peer group.

And secondly, you talked about the value of your in-house iGaming content. Can you give us a feel for what percentage of your iGaming revenues are generated by in-house product?

Adam Greenblatt^
Okay. Matt, I'm going to hand you the second one.
In terms of our marketing -- Simon, in terms of the marketing spend long term, what we've shown you is really the gap between our gross margin and our expected EBITDA margin.
Again, look, we would prefer at this point not to break that out. The data point I would point towards though, is that within the Entain Group, it's around 20-21% marketing spend versus NGR, and that's before you've layered on our particular advantages in the U.S. here for BetMGM. So that's about as far as we can go at this point.

Simon Davies^ So that should be materially lower?

Adam Greenblatt^ I mean that's as far as we should go at this point.

Simon Davies^ Yes. Okay.

Adam Greenblatt^ Matt, can I hand you the second part, please?

Matt Prevost^
Sure. So we've made significant strides in building out an in-house content portfolio in gaming. That content represents about 25% of our year-to-date GGR. We would expect that, that will increase over time as we continue to expand out the range of titles in our in-house content portfolio.

Operator^ And our next question coming from the line of Shaun Kelley with Bank of America.

Shaun Kelley^
Maybe just to go back to the long-term profitability bridge to start there. Could you just give us a little bit more color on the impact of mix between, let's call it, iGaming and online sports betting? I think there was an allusion to the fact that gaming taxes in many of your iGaming markets are meaningfully higher today or maybe even stabilized that way. But just could you help us think sort of the mix impact of how something like that or how those profit margins might play out between those 2 areas?

Adam Greenblatt^
Of course. Thanks for the question, Shaun. Gary, as you'd expect, this one's coming your way, please.

Gary Deutsch^
Yes. So we expect, in the longer term, that the margins on sports is going to be a little bit better. We basically have the situation where we have royalties, but there's still going to be some amount of third-party royalties that go to casino game providers that aren't to us for casino. And then the taxes are most typically higher on gaming.

So a few percentage points to a little bit more better on contribution margin is how we'd look at sports in the long term. And in the near term, we're heavier on iGaming. But depending on how the states roll out, if we end up with more digital sports states, which is what we have in our model right now, the overall mix of revenue will tilt in future years to being more digital sports heavy.

Shaun Kelley^
Great. That's helpful. And then maybe as my follow-up, just if you could comment, at a higher level, on some of the technology stack. What components or what key components, as we think about sort of the back end, the player account management, some of those pieces are sort of left over on the, or used or licensed or brought in from the Entain side versus what do you have in-house? Could you just help us think through, again, a few of the high-level technology pieces, be it trading in risk, some of the software and platform pieces? Just how do those 2 interact? That would be really interesting and helpful.

Adam Greenblatt^
Yes. Understand the question, Shaun. But the reality is because of our -- because of the shareholder relationship, we basically view Entain and MGM as in-house. In Jette's introduction, I think you heard all of the core components are proprietary and best-in-class. And from BetMGM's perspective, we have exclusive use of all of that stack.
So the answer is we have everything that Entain has. We only use it for ourselves, and we consider that to be our in-house stack.
And there aren't gaps in that stack. So I think the second part is what have you got your -- on your own? What have you bought from others and plugged in? The reality is we don't have to do that. And I think that's part of the power of our solution, is that integrated nature of all of those components.

Operator^ And our next question coming from the line of Carlo Santarelli with Deutsche Bank.

Carlo Santarelli^
Just in terms of New York, I know you touched on it just briefly. But given all the unknowns around that process and how it will play out, what is kind of the MGM strategy? Or how are you thinking about it, I guess, today? As you probably don't want to give up too much of your strategy, how are you thinking about how that process will evolve?
And then secondly, as a follow-up, just in terms of the iCasino projections, I think you guys had somewhere around 30-some percent of the market to legalize for iCasino or -- of the adult population to be legalized for iCasino, which I think is roughly 3x kind of where we are right now on the iCasino side. Are there specific states in there that you're kind of including? And what do you feel or is kind of most likely could go here in the next few years?

Adam Greenblatt^
Thanks for the questions. I'll deal with both, in fact.
So New York -- we're excited about the prospect of operating in New York. Look, the legislation, I think if you -- I'm not sure if you read it, but if you read the legislation, it contemplates having the best operators in the market. And we certainly believe that we are very, very well positioned to participate in that market. The framework is a flexible one that

envisions both platform providers and operators entering the market in some fashion. And given that we, BetMGM, is both platform provider and operator, we think that flexibility is to our benefit. The reality is there's still much to develop around New York, but we are going to put our best foot forward and fully expect to participate in the state. I think that's it on that.
In terms of specific iGaming states, we think what we've modeled is that for, no more iGaming states coming this year, but we do anticipate the likes of Ohio and Maryland. We've seen positive developments in the state of Illinois, in the state of Iowa. So there are quite a few. I mean you see that the -- in our projections, we have 18 states. Now very few come near term, and others come later in the plan. But that's a sense of what we're expecting.

Operator^ Our next question coming from the line of Michael Mitchell with Davy Research.

Michael Mitchell^
The first is on customer journeys in Michigan, and you provided the cross-sell data between sports betting customers into iGaming is 75%. I wonder, could you help us with what the cross-sell in the opposite direction is, namely what percentage of iGaming customers in Michigan have also bet on sports with the franchise?
And then second of all, just on customer economics, and obviously, you've reiterated your long-term CPA target of $250 on a couple of occasions. Can you just talk a little bit about on what basis do you invest? Is it at a kind of target CPA basis? Or is it on a return on investment basis? And I guess really, what I'm trying to understand is if customer LTVs were to continue to surprise positively, would you continue, or be happy to continue to acquire customers at a higher CPA?

Adam Greenblatt^
These are exciting -- Matt, these are coming to you. These are exciting questions because, frankly, this is, I think, an area where we, through a combination of tools, operating discipline, expected value models, we really have an advantage. But Matt, I'll hand over to you to deal with those 2, please.

Matt Prevost^
Yes. So the first one around cross-sell is -- the answer is most of our cross-sell does, in fact, originate in sport, as perhaps you'd expect, and then convert into gaming in some form.
We do see a decent amount going the other direction, given the history of the MGM Casino brand in the market. It is at a lower percentage than our sports-to-casino flow. And the piece that we just launched, we just launched poker in the market, and we'd expect some decent crossover between the poker business, the online poker business and into sport.
As it relates to CPA optimization in LTVs, I think this is what we -- we do this every single day. What I alluded to in our presentation, we intentionally have a flexible budget model and a flexible marketing budget so that we can move marketing funds according to where we feel as though we're achieving the best-predicted ROI, which is a combination, obviously, of CPAs and predicted LTVs.
So we move money around quite a bit across channel, across states, across products, based upon what we're seeing on any given day.

Operator^ And our next question coming from the line of Chad Beynon with Macquarie.

Chad Beynon^
Two for me. First one, just wanted to talk about the health or your mix of the VIP market on OSB and iGaming. MGM has had a huge presence and strong market share in Vegas on VIP customers. Just wondering if you're able to convert this and kind of how you're thinking about how important that VIP market, given everything that's gone on in the U.K. with recent changes? And then I have a follow-up.

Adam Greenblatt^
Look, this is naturally an important part of our business. This is an area where MGM has great strength. And we do work closely with MGM's VIP team to make sure that VIP players who are loyal to the MGM brand are treated as VIPs when they engage with BetMGM and vice versa.
I mean what we're really excited to find is that some of BetMGM-sourced VIP players are new to the MGM Resorts world. So there is a symbiotic relationship and a two-way relationship that's developing. It is an important part of our business, and we do work closely together.

Chad Beynon^
Okay. Great. And then from a marketing or partnership standpoint, thinking about media versus retail, it's pretty easy to evaluate the success right now of your digital partners, given current consumer retail restrictions. But how are you thinking about more bricks-and-mortar opportunities, whether it be live entertainment or something out of the box like what you guys have done with Buffalo Wild Wings, where you really just can't see the results yet because people aren't out of the house as much as they will be in the next coming months?

Adam Greenblatt^
Sorry, Chad, just to clarify, are you looking to get a sense of our optimism or expectation from those retail relationships? Or -- just want to make sure we answer in the most effective way.

Chad Beynon^
Yes, exactly. And if there's more opportunities. Obviously, not looking for a specific answer, but if there's more retail opportunities outside of just the stadium relationships, more consumer-facing brands, where you could have good customer acquisition cost when things are back to normal.

Adam Greenblatt^ Yes. Matt, do you want to pick that up?

Matt Prevost^
Sure. Sure. I think, along the same lines, the intersection of physical experiences in media, probably for us, at least, starts with what we can do with MGM Resorts properties and experiences and celebrating those out into digital and traditional media outlets. So you'll see more and more from that -- of those type of media investments from us over time as the world returns to normal post COVID.
I think as it relates to direct engagement with players in other venues, we are certainly guided by whatever the regulations allow. In the case of D.C., we have made the investment in the Nats Park. We're in the process of building out that venue now. But again, much of what we do outside of casinos is going to be dictated by what the regulations allow.

Operator^ And our next question coming from the line of John DeCree with Union Gaming.

John DeCree^ Just one question for me. I think big picture, Adam or perhaps anyone else, a lot of people kind of looking at mature markets, extrapolating from the U.K. to what the U.S. might look like or how it might play out. I'm curious, I know it's still relatively early, but if you've seen any vastly kind of different behaviors or similar behaviors of customers or competitors in the U.S. relative to some of those other markets? What has been really similar or really different so far?

Adam Greenblatt^
Yes. It's an interesting question. Look, much of this, what I'm about to tell you, won't be new. The core dynamics of our sector are proving to be consistent. Right so similar to what Gary went through in terms of how we build cohorts, how those cohorts develop over time, the samplers and the valuable players, all of that is playing out really consistent with the underlying dynamics of the sector that we know and understand.
Where there are differences, and there are differences, relates to the particular regulatory environment. So what's allowed, what's not allowed, the impact of the Wire Act -- I mean, this is big picture stuff. The impact of the Wire Act driving the way we deploy technology, the way that technology is run in the back-office, the cost structures associated with operations, those are different.
But then, of course, you turn it around and look through the players' lens, there's an extreme bias for U.S. sports. And so the seasonality that the U.S. sports calendar drives, drives a change in the, just in the business performance. What we're also finding is that there are some -- a big cohort of football-only players. And so those are challenges to introduce upsell, cross-sell to gaming products, and also where it's possible, and also other sports.
What we've also found is that there is a much greater focus on the 6-pack. We are seeing that there is a very strong -- there is a very strongly positive response to in-running, but there is a little bit of an adoption lag. So live betting is new to many in the U.S. And so we're seeing it starts -- as we mentioned the stats, yes, 43% to begin with but then picks up quite quickly as a state, as players start to understand our product, understand the range of markets that are on offer.
Our parlays are proving extremely successful as was referenced. Otherwise, I think those are the main ones. Those are the main ones, John.

John DeCree^
That's a broad question. I appreciate your insights. And I think you've touched on a topic that we've also been focusing on, and that's the, I guess, patchwork regulatory environment here in the U.S. We still have a number of states counting on to approve. I guess this is more of an online sports betting question, but is there some regulations that have been particularly challenging to navigate in states that have launched and things that new states, you hope to consider, that would make things a little bit more streamlined for the industry?

Adam Greenblatt^
Look, every state has its quirks. What we found is that it's not the specific requirements of a state really that it's -- I actually quite like it. When a state is more difficult, we, at BetMGM, quite like

it. Why? Because our technology is versatile, our ability to deliver things quickly with -- in partnership with Entain is unrivaled. So to the extent it gets tough, it actually plays to our strength.
So where is it difficult? One example that I would call out is some of the requirements in the state of New Jersey around new player on-boarding. So there are some really specific requirements on Know Your Customer rules, which go quite deep into the product and impact the customer on-boarding journey. That's an example of a state which is different from all others and very, very specific and has quite a big impact on both technology and operations. And of course, the effectiveness of our on-boarding funnel.
So when we talk about the 33% increase in the effectiveness of our funnel, it's those kind of things where we feel really good about our ability to both deliver on the requirements and then optimize over time, and it's coming out in the numbers.

John DeCree^ Congratulations on the early success so far to you and the team.

Adam Greenblatt^ I appreciate that. Thank you, John.

Operator^ Our next question coming from the line of David Katz with Jefferies.

David Katz^
I wanted to ask whether there are any boundaries you can discuss around your potential incremental media deals? Or any tuck-ins? What might be sort of inbounds or out of bounds as you move forward to try and bolster your offering? And then I have a follow-up.

Adam Greenblatt^
David, thanks for the question. Look, just speaking for BetMGM. We don't, I don't feel that we have any boundaries. Our boundaries are what is commercially rational. What makes our ability to grow? What supercharges our ability to grow? And so in the ordinary course, we look at everything. We look at small businesses for sale. We look at free-to-play, we look at media partners. We look at, across the spectrum from little niche operators to the biggest in the U.S. and potentially partnering with them.
The boundaries are financial discipline and best fit and appropriate fit. We have a really engaged Board who, in their own rights, enormous, very highly liquid businesses with strong balance sheets. So really, I don't view it in those terms. The limitation is the thing that actually enhances our business rather than any other external constraints.

David Katz^
And for my follow-up, I know we've talked quite a bit about states, and I don't want to make references to any specific state. But we both confront the same issue as we build out our TAM estimates. How do you think about reflecting challenging structures that may come out of nowhere? That ultimately impact what the size of the market may be. And again, not making any specific references to New York, but how do you provide for appropriate conservatism with an otherwise really compelling and exciting market opportunity across the country?

Adam Greenblatt^

Yes. That's a tough question, David. Look, I think one needs to look at this opportunity broadly. You have to zoom out and you have to say, where are my big risks and my big opportunities? So if you just look at the TAM itself, what we've assumed is 65% of the U.S. population has access to OSB. There's a different lens to look at this, which is to say, the way we are going, it would be unusual for, in the fullness of time for a state not to adopt sports betting in some form.
If you look at just the lottery sector as the analog. There's just a small handful of states where lottery is not permitted. Why should, again, over time -- and I'm not putting this out there as a forecast, but why over time should sports betting not end up in that place?
So well, for every -- well, New York is looking like the state might keep relatively more of the revenue and profit pool for itself. You have, on the other side, really really positive risk that we will see much deeper state adoption, broader state adoption. And for every New York, you've got -- you have a Maryland -- I'm sorry about the noise. You have a Maryland which has come out with really, really sensible regulatory framework where its tax rate is lower than the weighted average that I believe you have penciled into your model. So that's it.

Operator^ And our next question coming from the line of Ben Chaiken with Credit Suisse.

Benjamin Chaiken^
Just 2 for me. So the omnichannel approach seems compelling and clearly working. As legalization expands, when you think about new states or countries where MGM doesn't have a physical property, how do you think about the customer acquisition approach? And does it change at all?
So I guess, like, for example, you mentioned Canada being a $4.4 billion revenue opportunity. I know you mentioned kind of off-hand that you think the recipe still works. But maybe if we could dive into why it still works? Because on the surface, it just feels a little bit less straightforward than Maryland or Michigan. So that would be first.

Adam Greenblatt^ Of course. Matt, can I pass it to you, please.

Matt Prevost^
Sure. So look, I think 2 great examples of states where we have been able to successfully compete despite not having the full omnichannel advantage are both Colorado and Tennessee.
Both of those states, we've been able to secure a top market share position, and they come down to many of the aspects I outlined in the presentation; your brand personalization of the experience, the omnichannel outreach through digital channels that MGM has available to it or MGM Resorts has available to it where they're marketing on our behalf.
We think that formula works really, it works very well. We've proven it out. The key is for us to get there at the start. And I think that's the biggest determinant for us of being able to be there at the start and to compete even in a state that's, say sports only without a property in it.

Benjamin Chaiken^
Got you. That's helpful. And then on in-play, it seems like you have some unique products that you may roll out soon. I think one image was a real-time pitch selection, which I think is on the come. I don't think that's available yet. Just curious to expand on the opportunity here, timing. And then is there any tech limitation currently?

Adam Greenblatt^ Yes. Ryan, would you like to pick that one up?

Ryan Spoon^
Sure. So obviously, we've talked a lot about the growing not only importance here, but the player satisfaction. It's now an important part of the user experience. And I think the graphic you were referring to was following along with the live, in that case, baseball, the live game, a lot of data is presented. Alongside that, you have the ability to place bets of different types. Adam used the term, earlier, a 6-pack, the ability to bet not just the live, money line, over-under, et cetera. So some of that is improved and continued focus on how that presentation layer and where that arrives and what a user sees on first rendering of the app, his or her preferences.
There's a lot of intelligence around that, that I think we're very good at today. We can continue and will continue to improve and make improvements there. And then some of it comes to continuing exploration around different formats, different options. And again, I think a lot of that is how do you present that in really easy-to-use, simple environments because we do a lot and the trick is how not to overwhelm.
The last part of your question was, are there tech limitations? The answer is no. We feel good about what we have. I think you've heard that in many different forms from all voices. The hard part is, again, continuing to figure out how to make that the easiest experience possible.

Operator^ Our next question coming from the line of Robin Farley with UBS.

Robin Farley^
If I think about what potential future contribution might be needed from MGM and Entain kind of past 2021, it sounded like 2022 might still need contribution and then with '23 or since you're expecting to be profitable then, would you not need contribution that year?

Adam Greenblatt^ Thanks for the question, Robin. Gary, can I hand it to you, please?

Gary Deutsch^
Sure, I can take that. The answer is that we've got very committed parents. Our process for getting capital as needed has been extraordinarily smooth. We go through a process of showing our plans, having economic analysis underneath it. And then obviously, to date, we've been very well funded, and we are through this year, and we will be going forward.
So the guidance that we've been able to provide the Board so far is that we expect that profitability to hit in 2023, and we would be cash flow positive at that point.
Certainly, in capital planning, things can change. As I talked about in my portion before, there's even circumstances where we need less than we think because of the timing of how things layer together. But all I can say is what Bill and Jette had emphasized upfront, we're committed to us achieving our goals. We've had a very, very smooth relationship as a management team and with our Board in terms of the financing. So we look forward to actually having more opportunities to go back and explain why we can deliver some tremendous return on investment for capital that's put into us.

Robin Farley^

So just to make sure I'm understanding, are you saying that sort of based on the projections that you have now with profitability by 2023 that you will not need additional contribution after the $450 million this year?

Gary Deutsch^
No, no, no. After we just get cash-positive in 2023. We're certainly on a path where we will need more contribution of capital after this year.

Robin Farley^ Okay. Okay. And then just the other question is just a small one. Many partnerships that you have, I assume they're all tied to a percent of net revenue from customers acquired through those partners. But are there anywhere you have like, guaranteed minimum payments that are not tied as a percent of rev?

Gary Deutsch^ Adam, do you want me to comment on that one?

Adam Greenblatt^ Yes, why don't you. Thanks, Gary.

Gary Deutsch^
I mean we have a few on our market access partnerships that they're almost like a book advance where we do have some upfront commitments, but we're well on our path. It's really just the timing of payments. We don't have any -- that we're not going to get over the threshold of -- by a long shot.
So yes, you're correct. Most of the structuring -- so there's market access partnerships and then there's customer acquisition partnerships, which is the main one there is obviously Yahoo!. But from a market access standpoint, it's a percentage of net revenue, is the general framework of how you can think about those deals. And mostly on the marketing front, typically, we pay affiliate fees.

Adam Greenblatt^
Just to reinforce a comment that was made by Matt earlier, we value flexibility significantly. And particularly, we believe it is particularly appropriate given how quickly this industry is moving and how the nature and size of opportunities are changing. And so big fixed cheques are not really what we're about. We like to work together with our partners, grow together with our partners and succeed together with our partners, and the structure of our deals are very much aimed to reflect and support that.

Robin Farley^
So have you expensed the upfront payments? Or is that something that is spread out over the period in which you, that you expected to match revenues? Or have you expensed those upfront?

Gary Deutsch^
So the large upfronts are, have been capitalized. And our policy is to look at that as something that even if it's in 1 year, we'll then -- we'll depreciate it over 1 year. But most of our payments apply to 5 years. But we look at each deal as it comes. But as a general rule, any sort of upfronts are capitalized.

Operator^ Our next question coming from the line of Richard Stuber with Numis Securities.

Richard Stuber^
Two questions for me, please. First of all, I know you haven't given any time frame in terms of when you can reach the TAM target. But is any sort of time frame you can give in terms of when you think you can reach the long-term EBITDA margin target, presumably that will be sort of significantly before reaching the TAM.
And the second question is, you reported some really good growth in some of the more mature markets like New Jersey. Do you think the customers which you're getting are sort of new customers to gaming -- to online gaming and sports betting? Or do you think you're taking customers from the other operators?

Adam Greenblatt^
Matt, I'll hand to you for the second. Gary, do you want to address the first, please?

Gary Deutsch^
Yes. I'll be fast there. I mean certainly, we do hit those targets. We think within a 5-year time frame, we could be over the 30% EBITDA margin range.

Adam Greenblatt^ Thank you. Matt?

Matt Prevost^
Yes, sir. On the existing states point, we are seeing 2 things, say, in the state of New Jersey. We're seeing market expansion across the board. So we are certainly acquiring, like our competitors', new customers into the market. But given the market share performance again, particularly in gaming in say, New Jersey, we are clearly stealing share from others as well. And that's a big function of improved marketing capabilities, but also big step forward, big steps in terms of the way the product is presented to our consumers.

Operator^ Our next question is coming from the line of Ivor Jones with Peel Hunt.

Ivor Jones^
Adam, you've talked about omnichannel, but in a way that specifically relates to BetMGM. Will it be broader eventually? Will there be one U.S. CRM system for land-based and for the online business? Will there be BetMGM content on the slots games in MGM casinos? And I guess there might be other parts of the technology platform behind the physical casino, which could be supplied BetMGM. So just how do does omnichannel expand?
And secondly, you've given really interesting examples in the past and today of the integration of BetMGM with Yahoo! Sports and Buffalo Wild Wings. And you've got other brand names on Slide 31, like DAZN. How many of those sort of deep integrations might there be with other technology/sports businesses? Is it 3 or 4? Is it 20? Do you aim to be the ubiquitous embedded betting app for all kinds of digital business? So how will that channel develop?

Adam Greenblatt^
Ivor, nice to hear you, and thanks for the questions. I love where we're going with omnichannel. It is entirely consistent with the way we are thinking about it. Matt, I think in his earlier

comments referred to the support and -- that we get from MGM here. And frankly, that's an understatement. If you had the -- if anyone had the pleasure of being in an MGM property during March Madness, you would have seen how the whole property was brought to life in support of BetMGM. And that's just a today visible example of the kind of work that we're doing to really get closer to each other to both maximize our players' experience, both at BetMGM and MGM Resorts, but of course, in doing so, maximize player value for both entities together.

So the things that you've already called out agree with the opportunities. So deeper loyalty integration, royalty consistency, deeper product integration, all of those things are absolutely things that we are talking about.

It goes further, by the way. You can -- it's premature for us to talk about some of the other exciting things. But there's a big, big seismic things which we are working on at the moment which will really bring to life and unify the player journey within MGM Resorts and then to BetMGM. We'll talk more about that in the future.

In terms of integrations with other parties, it's difficult to say, Ivor. I think the practical answer is, I don't have a list of 20 other Yahoos! that I want to commit months of technical resource towards integrating with. So really, our ability to do that is unconstrained. The opportunity to do that depends on where we see value. We've got a really exciting product development road map. And frankly, we've got more ideas than there is time.

So we really have to make sure, and again, the concept of discipline that's come up a number of times on this call comes up again. We are very disciplined in how we commit resources. And so whether it ultimately ends up to be a small handful of important partners or a broader group will depend on the value that, that broader group can add. Hope that's helpful.

Operator^ Our next question is coming from the line of Kiranjot Grewal with Bank of America.

Kiranjot Grewal^
Just 2 questions from me. You've spoken about horse racing program bringing opportunities. What's the sort of size you're thinking of for the opportunity? And is that already part of the TAM you've laid out?

Secondly, you also flagged live gaming as one of your key offering. Do you have any plans to potentially start producing your own games there?

Adam Greenblatt^
Thanks for the questions. Look, on racing, our TAM does not include any meaningful contribution from racing. So that addresses the first.

In terms of our live gaming offering, we've got a great partner. We've got the market-leading partner today. Strategically, we have incredible resources within MGM Resorts. They are a leader in the live gaming experience in a live -- in a real-world context. How that evolves into the digital world remains to be clarified, but there are naturally some digitization opportunities around an already world-leading discipline.

So in short, we are committed to working with our current partners. Strategically, it would make sense to expand into the area of live.

Kiranjot Grewal^

Got it. And just coming back to the horse racing. Is isn’t part of your TAM, but do you have any sort of thoughts on how big that could be for you?

Adam Greenblatt^
It's not something that we've spent a lot of time on. I mean, for us, racing really is a top-of-funnel activity. We're not seeking to -- well, the current plan is that, really it's one of our funnels into online sports betting and gaming. It's a product that some of our customers like and we would rather they do that with us than with others. So it's a lead-gen tool as well as a cross-sell opportunity as well as almost a tool to ensure that we keep as much of our players' wallets as possible.

Operator^ Our next question coming from the line of Stephen Grambling with Goldman Sachs.

Stephen Grambling^
Two follow-ups. First, you alluded to this a little bit in one of your answers. How would you think about incremental costs if BetMGM or as a stand-alone business as we think about market access technology or other costs currently being incurred even though degree by the parent companies?
And then second, on the $1 billion target revenue for fiscal '22. What is the underlying assumption or split between iGaming and sports betting? And as it relates to iGaming in particular, what's the assumption for spend per person in states that already legalized you think about puts and takes between increasing adoption versus perhaps outside spend during the lockdown online versus in physical location more broadly?

Adam Greenblatt^
Okay. Great. The first question, the incremental cost, it's not something we spent any time on because our reality doesn't require us to consider that. Two, we have very, very supportive shareholders. And so our advantaged cost structure is basically contractually committed. And so I think that's it. We haven't really considered the -- what the counterfactual might look like given it's lack of relevance.
In relation to the $1 billion next year, iGaming versus sports and the spend per head. Gary, I'm going to hand it to you. But what I would say just before I do hand it to you, Gary, is that in terms of how good we feel about the delivery of that number, more than 80% of that revenue target will be delivered, we expect it to be delivered, from states that are live today.

And of course, we'll have a -- given that we have a number of our states where we launched in either the second part of 2020 or the early part of 2021, what we're seeing in the 2022 forecast is a full year effect and a maturation effect of those states. And they becoming full contributors next year and only 20% less than, in fact, 20% come from states that are -- today are not live.

Gary, in terms of the iGaming versus sports split and how aggressive we have been with our assumptions, would you like to comment on those, please?

Gary Deutsch^
Yes. So as I said, we've got real comfort on how we pointed towards that $1 billion with the amount coming from the states that are currently live today. So as I alluded to earlier, at a point

in the future, there's going to be a flip where we have more revenue that's coming from digital sports and iGaming, but it's not, it evens out in our models around 2023. So next year, we expect maybe, call it, 50% more revenue from iGaming than from digital sports plus or minus. So it's still -- we've got these powerhouses in iGaming that are really helping us set a course that gives us confidence in the number for 2022.

Operator^ The next question coming from the line of Joe Stauff with Susquehanna.

Joseph Stauff^
More CPA questions, I'm afraid. Matt, I did hear you about sort of brand awareness and how you're approaching sort of new state launches. But is it fair to say just based on the various commentary, that your converted M life customers or customers that you convert from Mlife are heavily iCasino customers? I guess that's a clarification.
And then the second piece is, can you talk about online sports betting and maybe some of the more fertile areas that you've been able to harvest? Whether it be Yahoo!, whether it be Buffalo Wild Wings or it's just maybe your brand awareness in your advertising campaign. Can you talk about, again, how you build the top of those funnels for each of the different products?

Adam Greenblatt^
Matt, go for it. I will just caution again, that our competitors are definitely listening. So over to you.

Matt Prevost^
So first and foremost, we do have high brand awareness, both of BetMGM, but then also in, say the state of New Jersey and Pennsylvania, we've seen a big increase in gaming as we launch the Borgata brand in Pennsylvania, for example. So there is brand -- there is certainly brand awareness that factors into our ability to convert customers at a reasonable CPA.

It may come to some surprise, but most of our acquisitions through the omnichannel efforts, in terms of on-property have actually come in and around major sport events. So March Madness, Super Bowl started NFL Weekends at various regional properties and whatnot. So surprisingly, perhaps counterintuitive, we do get quite a bit, in fact, the majority of our omnichannel sign-ups are through those sports events. Now again, those customers are naturally -- they're in the casinos, so they are naturally gamblers and they're relatively easy to cross-sell into iGaming in the states where we have iGaming like New Jersey and Michigan.

As for our online competitiveness, I think we use a lot of the tools that many e-commerce companies use, and that's a mix of offline and online marketing, and to the extent we're trying to do the things that we outlined earlier which is deliver the right offer to the right segment at the right time.

Joseph Stauff^
That's helpful. And then I just want to ask one quick follow-up on product development. Can you clarify, I guess with the newer in-play products that you were talking about, that some people had asked about earlier. Where, I guess, is the, say, risk in the bookmaking operations located? I

assume they're largely out of Europe. And then product sort of development, where are those located? I was just curious.

Adam Greenblatt^
Yes, I'll take that. So Entain's trading, there are 2 things.
One, BetMGM has our own trading team based here in the U.S., in our New Jersey city office. We also have a trading center in Las Vegas. The reason for that split, clearly, we -- it's helpful to have a broader coverage of time zone.
The Entain trading infrastructure and team is global. I think Entain as an organization pursue a follow-the-sun model given their global operations. That's very helpful to them and of course, helpful to us.
In terms of product development, the core locations, the core location is Hyderabad. So the primary development center for the Entain Group is in Hyderabad. There is also a development center in Indiana.

Operator^ And our last question coming from the line of Christine Zhou with RBC.

Christine Zhou^
Firstly, on the EBITDA margin target. I just wondered when you compare that long-term margin target to Entain's core online business, which I believe has a long-term target of 30%. I just wondered what you think the main differences are that could allow potentially higher margin in the U.S. eventually, in particular, I guess, given the U.S. margin involved in retail as well.
So that's the first question. And then just secondly, I think there was a comment regarding taking over the Golden Nugget license in New Jersey. I just wonder if you could just explain that a little more and what it means in terms of potentially absorbing additional market share there.

Adam Greenblatt^
Of course. Why don't I start with the first one. Gary, you can sweep up if there are any things to add, and then I'll deal with the Golden Nugget clarification just to wrap us up.
Look, the EBITDA margin target that, of the Entain Group, is not really like-for-like because of the advantaged -- the advantages that we've been through during this presentation and the Q&A.
So we do not have, we BetMGM do not have some of the trading technology costs that naturally the Entain would -- the broader Entain Group holds internally. Our advantages of -- in relation to player acquisition through omnichannel, we've been -- we've dealt with extensively.
On the flip side, however, in the U.S., we do have some specific costs which are not features of other international markets going in the opposite direction.
So for example, market access costs. Those -- that's largely unique to our U.S. use case, which represented effectively -- which are a drag on margin offsetting all of those gains, which is why I think in the round, we end up broadly in the 30% to 35% range, which is not dissimilar to where Entain is.
Gary, anything to add?

Gary Deutsch^ No. No, I think you've hit the major points, obviously.

Adam Greenblatt^

Okay. Super. Christine, And then just to clarify, our excitement -- just to clarify the Golden Nugget point, the way the new -- this is a New Jersey observation. And the way that the reporting works in New Jersey by the DGE, the regulator there, they report on a monthly basis by license holder. The license holders have multiple skins underneath them. And my point was that BetMGM uses the Borgata license in the state of New Jersey, and we use it for ourselves and a small contribution from a business called Pala. But it is almost exclusively just BetMGM and our brands.
In the -- whereas the Golden Nugget license in New Jersey has effectively sold skins, sold market access to FanDuel's Betfair Casino, BetAmerica and SugarHouse. And they obviously use one of the skins for themselves. Now in aggregate, that Golden Nugget license has been in the #1 spot in New Jersey, the biggest license when you added up all of the skins contributions. They have been the biggest in dollar terms every month since December 2016. In the month of March BetMGM took that title. So as of March, as a license, the Borgata license is now the largest license in gaming in New Jersey. So that's what really what I would say.

Operator^
This concludes our question-and-answer session for BetMGM's Investor Day event. I will now hand it back over to Adam for closing remarks.

Adam Greenblatt^
It's been a marathon. I'm very, very grateful for all of those, all of you who participated.
I hope you've come away appreciating the enthusiasm, our enthusiasm for this business and for this opportunity and ever more convinced that BetMGM is here to stay and destined to be a leader in sports betting and iGaming in North America.

I hope you now appreciate our scale, both today and potential for the future, and our capability and also understand why we feel so good about achieving $1 billion of revenue next year, and while we have today a platform for a very, very profitable business in the fullness of time.

So with that, I just want to say thank you again for participating. Please look after yourself, stay safe, and we look forward to talking to all of you in the future. Thanks again.

Operator^ Ladies and gentlemen, that does conclude our conference for today. Thank you for your participation. You may now disconnect.