Entain

BetMGM Q4 Update

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Transcript

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Operator

Good day, and welcome to the BetMGM Business Update Conference Call. Joining the call from the company today are Adam Greenblatt, Chief Executive Officer; and Gary Deutsch, Chief Financial Officer. (Operator Instructions) Please note this event is being recorded.

I would now like to turn the call over to Adam Greenblatt.

Adam Greenblatt

Good morning, or good afternoon, depending on where you are dialing in from. Thank you for joining today's call. I am Adam Greenblatt, CEO of BetMGM, and I'm joined today by Gary Deutsch, BetMGM's CFO. Earlier, we released an announcement on BetMGM's recent performance and updated outlook. On this call, I'll provide a brief overview of what we announced before opening the call up to Q&A.

You will also have seen that we plan to hold our second investor event in May, which will provide a deeper dive into business performance and our exciting plans for future growth. As I'm sure you will appreciate, we will keep more detailed comments and responses of our future plans until that date. Today's update and our event in May are part of our efforts to provide you with more information about our business and a deeper understanding of how and why we are a leading operator in this exciting market.

Turning to today's announcement. 2021 was an incredibly strong year for BetMGM, building on the foundations laid in 2018 and '19 and cemented in '20. 2021 saw us accelerate our customer engagement and grow our share to become the #2 operator across our active markets. Our revenue grew by nearly 5x to $850 million in the full year, delivering 140% year-on-year growth in those markets that launched prior to 2021. This continuing momentum has resulted in a 24% market share for the 3 months to November in online sports betting and iGaming across our live jurisdictions. We have reinforced our #2 position in the U.S. and our share is comfortably in line with our long-term target of 20% to 25% market share. BetMGM remains the undisputed leader in iGaming across the 4 markets we operate with 30% in the 3 months to November.

In OSB, online sports betting, we continue to make great progress and have achieved 18% share across the markets where we operated for the 3 months to November 2. So let me add a little color to those numbers. Expanding our footprint remains a priority. In 2021, we launched online sports betting in 5 markets, plus 3 on-premise sports betting apps in other markets. Online casino in 1 market, online poker in 2 markets. We also opened 7 retail sports books in a further 4 markets. We are particularly pleased with having launched 3 new markets over a period of only 9 days in the lead up to the 2021 NFL season.

On the new products front, we launched Borgata Bingo in New Jersey, which is the first of its kind in the market as well as the BetMGM Horse Racing app in 3 states where we did not have pre-existing operations. Our focus on players rather than just product continues to deliver results. We saw increased cross-sell rates across our platform in Q4 with around 40% to 50% of players in iGaming states playing both sports and iGaming. I'm pleased to say that we have delivered this fantastic growth and market position while remaining disciplined on promotional activity and spend.

The promotional environment and market profitability has increasingly gained interest from investors and analysts which is understandable given the promotional intensity seen around the start of the NFL season. However, what I think is worth noting is that the aggressive, competitive and promotional environment was not a surprise to us. It's to be expected in these relatively early stages of development of this market particularly given the size of the TAM that is at stake. We anticipated this pickup and had factored it into our planning and go-to-market approach. And so to remind you of that approach, we continue to deploy our best-in-class acquisition and retention marketing tools and processes, which are built on Entain's technology stack and focus on 2 things: number one, acquisition efficiency; and number two, ROI built around our predictive models for online sports betting and iGaming.

This flexible technology allows us to tailor player investments at a level appropriate to them. In addition, we continue to focus on omnichannel customer acquisition while also promoting the benefits of our unique omnichannel rewards proposition. Excitingly, we also add our first national TV advertising campaign in September 2021, in advance of the NFL season and continue to have presence thereafter. These nationwide campaigns improved the efficiency of our marketing spend in other channels while also driving increased brand awareness for BetMGM.

I should note that we were encouraged to see signs of a more rational customer acquisition environment as the season progressed. By maintaining our disciplined and returns-focused approach including executing on all of the items I've touched on above and more, our CPAs were in line with forecast and trending towards our long-term expectation of $250.

Evolution of player values continue to support the TAM estimate we set out during our Capital Markets Day in April '21. We have many exciting plans for 2022 more of which we'll talk about at our Investor Day in May. That said, over the coming months, we expect to go live in 2 additional U.S. jurisdictions that will enable us to reach around 40% of the adult population in America. We also have advanced plans to launch in Canada, Ontario and Puerto Rico in the coming months.

With this continued momentum, we now expect to achieve net revenues of over $1.3 billion in 2022. We are delivering positive run rate contribution in several states, driven by our prudent data-driven marketing strategy and by leveraging our omnichannel offering. For example, we were contribution positive in New Jersey for the full year 2021 and are also delivering positive contribution in Michigan only a few months after launch.

As such, we anticipate reaching positive EBITDA in 2023. Now that is, of course, subject to our usual caveats around business plan assumptions. For example, just 1 example, that a large state doesn't come online much earlier than anticipated, which would impact investment plans.

Our fantastic performance and success so far is underpinned by the support we get from both Entain and MGM Resorts. From industry-leading technology coupled with an iconic brand to the robust in-house proprietary products and broad customer access via M Life and retail experiences. Both companies provide the capital that supports our growth journey. So I'm delighted that they have agreed to invest a combined $450 million into our business in 2022. That will take their total combined investment to around $1.1 billion since inception. But I think it is clear from the metrics that we are already delivering that we are on track in achieving 20% to 25% of the substantial U.S. TAM and positive EBITDA. The investment case is therefore compelling.

Let me just finish by talking about the BetMGM team. Over the last 3 years, we have brought together an extraordinary group of people that are the lifeblood of this business. Our highly talented team is executing with purpose, passion and discipline and have cemented the credibility of BetMGM's leadership ambition in sports betting and iGaming. And for those colleagues who are listening, I am very grateful to each one of you for your personal contribution every day. Thank you.

With that, I'd like to hand over the call for Q&A.

QUESTION AND ANSWER

Operator

(Operator Instructions) Our first question comes from James Rowland Clark from Barclays.

James Rowland Clark - *Barclays Bank PLC, Research Division - Research Analyst*

Good afternoon or good morning, everyone, and thanks very much for the update. My question is on Canada, please, which you've outlined as a market you'll be launching in this year. I think at the CMD last year, you said that you would launch both BetMGM and Bwin in Canada. So I'm just interested in your thoughts as to how you're going to manage that conflict of interest.

Adam Greenblatt

James, thanks for the question. The -- your premise is correct. We did say that both brands would be live in Canada. We see this as incremental. What we see even in the U.S. where we have multiple brands, both can thrive. The brands will be operated by different independent teams. So we fully see that as incremental to value.

James Rowland Clark *- Barclays Bank PLC, Research Division - Research Analyst*

Great. And then I have a follow-up, please. It's actually not on Canada, but on your long-term EBITDA margin. I think at the CMD, you also said 30% to 35% in 2025. Would you be reiterating that at this point? I know you haven't commented in the release.

Adam Greenblatt

We haven't commented. Yes, Gary, go on, please.

Gary Deutsch

Yes, we're still holding to those estimates. So we'll go up and down the P&L more fulsomely on the Investor Day in May. But the same value that we expressed as our cost advantages still holds. We still have the marketing advantages of being affiliated with the MGM brand and their resources. We still have the access to Entain technology. We have casino games that we get from them. So all the things that we reiterated or that we stated in the Investor Day presentation are still holding true and accurate and our guidance remains the same.

Operator

Our next question comes from Shaun Kelley from Bank of America.

Shaun Clisby Kelley *- BofA Securities, Research Division - MD in Americas Equity Research & Research Analyst*

Thank you also for this update. Adam, my question is really about maybe trends in the iGaming piece has been a huge part of your success. And I'm just sort of wondering, can you talk about organic growth rate or maybe underlying organic outlook for those markets. We're going to start to lap Michigan, which has been a big growth driver there. We don't have as many new states coming on in 2022. So what's kind of underlying your assumptions for kind of core organic growth there in your outlook?

Adam Greenblatt

It's a great question. All of our gaming states continue to surprise on the upside. You're right, we are lapping exceptionally strong starts, but frankly, all of the KPIs we are seeing in the business today speak of depth to these markets that frankly, are really a delight to see. You will have seen our results in Michigan, which were published, I think, yesterday or the day before showing BetMGM's strength and leadership.

And frankly, we continue to perform very, very strongly. So we haven't seen a plateauing of organic demand in our live states. And we haven't even started to talk about new state adoption I suspect which will come later in the calls. I hope that helps.

Operator

The next question comes from Ed Young from Morgan Stanley.

Edward Young *- Morgan Stanley, Research Division - Equity Analyst*

Very struck by your encouraging commentary around profitability. Can you give some color on the positive contribution states. You mentioned several there. What is it that makes them contribution positive? What makes it stand out? Do you have a solely online sports betting contribution positive state. And as a point of to detail in that, did New Jersey do the $60 million of profits that you've guided for?

Adam Greenblatt

Great. Gary, can I hand that to you, please.

Gary Deutsch

Yes, sure. Ed, so first and foremost, on the New Jersey, absolutely, we well exceeded that. In terms of the overall outlook that we gave in April, it still holds. We've guided back then that we were looking at 12 to 24 months from launch for a sports state and 10 to 14 months in gaming to get to contribution positive and then about 3 years in sports to get to payback in 2 years in gaming, and that still holds, and we're seeing that.

So we -- as Adam said, we closed out '21 with New Jersey being full year contribution positive. Michigan, just after sort of midyear became contribution positive. When we look into the coming year, we expect that Arizona is on the fast track to contribution positive. So that's a state that is pure sports. Same is true with Colorado and Tennessee. In Michigan and PA, we expect very nice years from.

Edward Young ***- Morgan Stanley, Research Division - Equity Analyst***

Perfect. And then just one follow-up also on profitability. You talked about EBITDA reaching positive in 2023. Just to be clear, does that suggest you'll be close to breakeven or could potentially that would be late '23 and therefore, a material loss number? Or is it early to say? Can you give us any color on the sake of that?

Adam Greenblatt

Yes. Let me jump in here. I fully expected the question. As we've said, and we restate, we will reach profitability in 2023 based on what I can see today and our state rollout assumptions for this year and next. So for next year, we will be -- we will -- there will be months next year where we will be EBITDA positive. But let's not lose sight of our reality. We are not selling tooth paste in a very mature market in a price-stable environment. That's not this business, right? The market is still relatively early exciting, exciting stages with a lot of new states becoming addressable at different and uncertain times. We're also subject to short-term results based volatility in sports. We only have to look to this football season to bear that out. October was tough. November was fantastic. So while we cannot commit as I stand here today to profitability for the full year 2023 at this stage, we do expect to enjoy many months of positive EBITDA as the year progresses.

Operator

Our next question comes from Joe Greff from JPMorgan.

Joseph Richard Greff ***- JPMorgan Chase & Co, Research Division - MD***

Two questions on your comments, Adam, on 2022. One, how much of the $450 million of incremental net revenues in 2022 versus '21 is related to same states, same jurisdiction growth versus newer states? And then part 2 would be, would you anticipate 2022 cost per acquisition to decline versus '21? Or is that just tough given a state contributing to the revenues like New York?

Adam Greenblatt

Great. Gary, do you want to take both of those same states versus newer and then CPA trend.

Gary Deutsch

So in our plan for next year, the 90% of the revenue that we are looking at are roughly 90% comes from states that are live as of today. So that includes New York in that. So a substantial -- the vast majority of revenue, we have visibility on our status in the market, and we know that we are competing there. And obviously, the more mature states, we have a clearer view on some aspects of that.

In terms of the CPA environment, yes, we're seeing -- we're anticipating a continued efficiency there. We've talked about the national advertising has helped and general sort of scale. So we do have the CPAs going down in '22 versus '21?

Joseph Richard Greff - *JPMorgan Chase & Co, Research Division - MD*

Gary, let me be sure I understand that. But you're saying 90% of the $1.3 billion in revenue come from jurisdictions that are open right now. Is that correct representation of what you said?

Gary Deutsch

Yes, exactly.

Joseph Richard Greff - *JPMorgan Chase & Co, Research Division - MD*

Okay. What about if you looked at it same state relative to 2021, how much of that $450 million of incremental revenues relate the...

Gary Deutsch

I mean it's the only incremental -- the only difference would be to subtract New York from that. So I mean, still the great majority comes from states that -- in all the material states besides the New York. We've been operating at least since the beginning of the football season, so we've got good visibility there.

Operator

The next question comes from Thomas Allen from Morgan Stanley.

Thomas Glassbrooke Allen - *Morgan Stanley, Research Division - Senior Analyst*

So to put you on the spot a little, New York, you launched 2 days ago, any initial thoughts on the market?

Adam Greenblatt

Yes, delighted with how it's gone. Look, we've broken all of our records, Thomas. It was the best first day of any live launch. We broke records for most registrations, for most first-time depositors for deposits for bets, for handle. And what I found particularly pleasing was our technology performed flawlessly in line with our expectations, mind you, notwithstanding the volume. And linked to that, our acquisition funnel KPIs were also very pleasing. We had the highest -- this is getting -- lots of technical words here, but highest registration to deposit conversion percentage of all of our markets. We had the highest new player deposit success rate. So everyone who want to deposit money was able to get their money in. We had the highest conversion of registration to real money players, right? And that's just the technology side, technology linked with some operations.

The area of operations is the area that I'm most pleased about. And I'll tell you why. Despite the record-breaking volumes, we answered all chats and calls within an average of 29 seconds. This is a standout performance in the market. And we expect will be another reason that New York players choose

BetMGM, particularly if you read all the social media and expect that many of those -- the players in that New York market have had a difficult experience in those first few days of the market being available. So really positively -- I look to the future positively.

Thomas Glassbrooke Allen *- Morgan Stanley, Research Division - Senior Analyst*

Helpful. And then just 2 logistical follow-ups. First, was there any hold or impact on fourth quarter revenues? And second, can you just remind us how you report like sometimes you use -- most of the time you use December fiscal year-end, but sometimes you use November fiscal year-end. Can you just remind us how that all works.

Adam Greenblatt

Yes, sure. Gary, I'll hand over to the first part to you in a moment, which is our Q4 margins. Just on the second element. Our fiscal year ended December is the reason we refer to November for some of the market share data was because we just don't have all the states market share data published yet for December. So it's just -- we wanted to provide representative market-wide data in our disclosures. December is our fiscal...

Gary Deutsch

Was that a market share question or was that a net income question?

Thomas Glassbrooke Allen *- Morgan Stanley, Research Division - Senior Analyst*

It was a whole percentage. The second one was a whole percentage. Like did you have higher hold -- higher or low hold for the fourth quarter?

Gary Deutsch

On the hold percentage, yes. We had impact from -- I guess, you would look at it this way, we had a normal September. We had a very weak October. We had a very strong November and then December put us into the territory where I would say it impacted us. But on your first part of the question, Tom, is if you were talking about market share were you talking about reporting that passes through the parents in terms of net income.

Thomas Glassbrooke Allen *- Morgan Stanley, Research Division - Senior Analyst*

Yes. I think there's some nuance, right? When the parents report it don't they report it through November for the losses.

Gary Deutsch

Yes. From a -- yes, it's question that's different between Entain and MGM and it's a quirk of the timing of the sequencing of how we close. But maybe we could address that with you offline at some point without getting into the details of that.

Thomas Glassbrooke Allen *- Morgan Stanley, Research Division - Senior Analyst*

Any way to quantify the whole impact on revenue?

Adam Greenblatt

Very difficult. I mean we expect it to normalize over time. And what you can see in some of the states that do report -- some states that report gross and margins, you can see that we -- as is usual, we do a little bit better than market, but the whole market has moved up and down with results.

Operator

Our next question comes from David Katz from Jefferies.

David Brian Katz - ***Jefferies LLC, Research Division - MD and Senior Equity Analyst of Gaming, Lodging & Leisure***

And thanks for all the information so far. I know, Adam, in your initial comments, you said that the landscape is shaping up so far as you've expected in terms of the aggressiveness. What you've laid out for us today, how much of that is predicated on continuation of those same behaviors? Or are you expecting or providing for competitors to start to progress toward profitability also. What are you assuming everybody else does in what you've laid out?

Adam Greenblatt

Yes. David, thanks for the question. The first point I would make is that we have delivered this result, which I think is outstanding in the context of that really aggressive competitive environment. So we would back ourselves to continue to succeed almost regardless. But to the substance of your question, I think ultimately, capital is rational and capital in this market is getting smarter. And so what we -- I think we BetMGM are able to do with our Board is demonstrate the cohort economics and the value of that cohort ROI, which fuels the fire, which almost justifies further investment. I think I wouldn't comment about any of our competitors in this form, certainly.

But I do think capital is going to become more demanding, which will drive more selective investment, shall we say. More selective and more prudent approach to investment in player promotion. And I think what we will see is a path to a rationalization of the commercial environment. And it may happen through the course of this year, I think maybe we've got 1 more NFL cycle of exuberance ahead of us. But certainly, over time, maybe I am old fashioned, but capital is rational, money is rational.

David Brian Katz - ***Jefferies LLC, Research Division - MD and Senior Equity Analyst of Gaming, Lodging & Leisure***

Right. I appreciate that the equity market is certainly calling for it. I think we would I'll agree. As my follow-up with respect to the product offering that you have out there today, one of the matters that we've debated is that most would say that their product isn't really all that evolved yet or early innings or whatever metaphor. But the customer acquisition has been assertive to aggressive. How do you square -- where is your product today? And how do you square the level of investment to induce trial to a product that is still formative?

Adam Greenblatt

Look, firstly, I think we offer our players a great player experience. And while the product opportunity remains, that's certainly not to say that we are not surprising and delighting our players with the experience that is available today. That's not to say that we or will ever rest on our laurels. We've got Jarrod, a colleague of ours in the senior BetMGM management team and his product team working with BetMGM, working with Entain, we've got very exciting plans for further product evolution over the coming months.

And so what I would say is watch the space. The investment today, our investment today is rational based on as I said, the cohort ROIs that we can see. So the suggestion, I think in your question is, if you don't provide a good product experience, then the money is no good. We're investing -- we're investing in a way that is perhaps imprudent. And our retention curves and our churn curves suggest or tell us that that's not the case. We're very happy with the way we acquire players and the fact that they stick around because they enjoy what we're offering.

Operator

The next question comes from Chad Beynon from Macquarie.

Chad C. Beynon - ***Macquarie Research - Head of US Consumer, Senior VP & Senior Analyst***

All the information so far. Now that you've had more data to sift through -- throughout different sports seasons. Do you believe that your seasonality will be any different than your competitors, meaning do you think you'll outperform in NFL and underperform in basketball, so to speak? Or do you think you'll kind of follow the general trends in the United States?

Adam Greenblatt

Thanks for the question. I think seasonality will be broadly similar. So let's firstly separate the parts of our business. Seasonality and gaming is different from sports. I think the focus of your question is around sports. In relation to sports, it will be largely similar. What drives seasonality is player interest and a lesser degree, different operators product offerings within those sports.

The vast majority of -- I expect the vast majority of operators will see the same kind of seasonality trends subject to their offerings being there or thereabouts equivalent.

Chad C. Beynon - ***Macquarie Research - Head of US Consumer, Senior VP & Senior Analyst***

Okay. Great. And then, I guess, regarding legislation, can you opine on kind of where things stand when you -- when we should expect to see more of a domino effect particularly on iGaming, understanding that none of this is in your '22 guidance, but just kind of thinking out over the next 5 to 10 years, kind of what your legislative contacts are talking about now?

Adam Greenblatt

Yes. Yes. Important question. Look, the sports betting crane has -- is doing a thing, and we're very pleased with the progress that's been made in that area. On iGaming, the trends are positive. You will have seen that in Indiana, HP, I think it's 1329 is now in the public domain. There is talk of legislation in a number of other states, Iowa, Illinois, potentially Nevada. Obviously, Ontario is coming is not a U.S. state, but Ontario.

Look, underpinning all of this, and I think this is the thing that we need to not lose sight of. The long-term opposition, historically, that the opposition has come from incumbent land-based casino operators. And that's going away. What we're seeing in states like Michigan is that both land-based casinos and iGaming can coexist and not only coexist can both thrive. And so when that reality becomes more pervasive, that become -- that reality becomes just the accepted position.

Then what I think we will see is rather than our position, we will see support from incumbent casino -- retail casinos. We will also see the lawmakers looking at the success and associated tax revenues from the likes of Michigan and Pennsylvania, New Jersey. And I think we see a more substantial trend towards adoption of iGaming, perhaps even beyond the TAM that we set up. And by the way, this is not suggesting we're changing our TAM guidance at this stage at any point but the wins are turning. And I think for me, that is the biggest takeaway.

Operator

The next question comes from Joe Stauff from Susquehanna.

Joseph Robert Stauff - ***Susquehanna Financial Group, LLLP, Research Division - Credit Analyst***

I wanted to ask about user growth in general. And are there any KPIs. Can you possibly give us maybe monthly active users that you had in the fourth quarter?

Adam Greenblatt

Gary, I'm not sure that this is -- I think we're going to...

Gary Deutsch

We can give multiples. We're not going to...

Adam Greenblatt

Yes. Go ahead.

Gary Deutsch

Yes. So when we look at sort of the monthly active users year-over-year, we were almost 3x growth in Q4, but we're not going to give out the raw numbers.

Joseph Robert Stauff - ***Susquehanna Financial Group, LLLP, Research Division - Credit Analyst***

Okay. And then maybe as a follow-up, just sort of the trends with respect to, say, your user growth. Last year, you talked about how you would expect high casino revenue in particular versus OSB to be much stronger, at least in the second half. I think that's what you had outlined last year. And I'm wondering kind of how your database, whether it be monthly active users in the fourth quarter, how they skewed, say, OSB or that is iCasino only versus multiple products, including OSB?

Adam Greenblatt

Gary, do you want to take that?

Gary Deutsch

Yes. So in the states that we have both products, so you've got West Virginia, Pennsylvania, Michigan and New Jersey, we saw between 40% and 50% of unique users in the fourth quarter were engaged with both products. So we're seeing excellent cross-sell. And when we look at the impact on customer acquisition in those states, the cross-sell has been a big gateway, most typically the flow is from sports into casino. So that's been working out very well for us from that standpoint.

And as you alluded to earlier, certainly, we're seeing monthly player values that the casino player values are significantly higher than the sports values. And we've always anticipated that to be true, which is part and parcel with why we expect the acquisition cost for casino players to continue to run a little bit higher than the acquisition cost for sports. And even the long-term model, as we stabilize on sports, we'll always expect monthly casino values to be higher.

Operator

The next question comes from Carlo Santarelli from Deutsche Bank.

Carlo Santarelli - ***Deutsche Bank AG, Research Division - Research Analyst***

I just had 2 quick ones. One is more of a clarifying issue. Just to make sure that I'm on the same page with how you define the contribution market -- margin, for example. If you use New Jersey, is it effectively just taking New Jersey's percentage of your overall kind of state population databases and allocating shared costs, whether the broader corporate cost and/or marketing costs, national marketing costs, et cetera, over that kind of base of population?

Adam Greenblatt

Gary, do you want to take that, please?

Gary Deutsch

Yes. So we look at contribution by going down for each state and assigning all the direct cost. Some are allocations in some way have definitive metered usage on and all of the marketing acquisition costs, and we apply it to that. So we don't put into that an allocation of central costs Adam, me and the overall base of people. But things like the national marketing will be allocated into the states and to the products.

Carlo Santarelli - *Deutsche Bank AG, Research Division - Research Analyst*

Great. And then just one follow-up and decent segue there on marketing. When you guys think about kind of the marketing spend today or, say, in 2021, and you think about kind of where that needs to be in 2023? I guess I could ask it 2 ways. How much do you think it needs to come down to kind of be EBITDA positive? Or how do you think about it in a stabilized or 2023 environment as a percentage of kind of net revenue?

Adam Greenblatt

Gary, do you want to take that, please?

Gary Deutsch

Yes. So it's -- we're not a SaaS business, but there's a dynamic that looks like one in the sense that the marketing as a percentage of revenues going to drift down as we're acquiring fewer players as a percentage of the total number of players that are active in the business. So when you think about how our model layers together, we're seeing the efficiencies that we alluded to earlier in terms of CPAs. We add new players. But those players include a bunch of new players that we've said in the past will churn out quickly. And they're being adjoined to older cohorts that have some amount of retention spend on them.

But really, they become what we had called the growing profitable annuity. So we're already seeing it come down, think of it between 20% to 30% of revenue in the time frame you're talking about and settling in lower than that for the long term. I mean we're always going to be acquiring customers, but we get to a more steady state where the percentage of new acquisitions are a much smaller percentage of the total base than it is today.

Carlo Santarelli - *Deutsche Bank AG, Research Division - Research Analyst*

And Gary, sorry, and if it's something under the wraps, that's fine, does that look like 10% of revenue, 15% of revenue?

Gary Deutsch

No, no. We don't -- that would be below what our -- what you said that would be below what we think a steady state is for the industry.

Carlo Santarelli - *Deutsche Bank AG, Research Division - Research Analyst*

Meaning the marketing spend as a percentage of revenue would be higher than those metrics.

Gary Deutsch

Correct. Yes, on a near horizon for sure.

Operator

The next question comes from Kiranjot Grewal from Bank of America.

Kiranjot Kaur Grewal - *BofA Securities, Research Division - VP & Analyst*

Could I talk a little bit more about your product offering. We've seen same game parlay and in-play betting take a chunk of spend outside the U.S. So I just wanted to know where you're at with your "same game parlay offering and also, how do you think that should develop in the coming year, both in terms of the offering itself and also the share of spend?

Adam Greenblatt

Yes. Thank you for the question. This is an area where we are particularly excited about having Entain as a partner, one of the things that we will be investing in from a product perspective is exactly that our One Game Parlay product. So we will -- stay tuned and from BetMGM you will see improved -- expanded offering, improved interface with the product and just a better overall user experience as we go through the summer. And of course, all of the associated benefits of that product, 30% plus margin will come through in -- through our trading margin. We are already seeing through this season, the proportion of parlays versus all bet types increasing. This is something in our business, our operations team is very focused on because of the margin benefit. So yes, an area of focus for BetMGM, and we're delighted about the progress we're making.

Kiranjot Kaur Grewal ***- BofA Securities, Research Division - VP & Analyst***

Perfect. And on the point of the profitability, is this a key component of your profitability target for 2023? And also your long run 30% to 35% target?

Adam Greenblatt

We are not -- for clarity, we're not making any Herculean assumptions around the take-up of One Game Parlay in order to hit our targets. We've been very prudent in our internal business planning to make sure that we're building things that we have -- that we can see and measure and don't depend on the fundamental change in player behavior.

Operator

This concludes our question-and-answer session. I would like to turn the conference back over to Adam Greenblatt for any closing remarks.

Adam Greenblatt

Fantastic. Thank you. Well, so thank you all for joining. We're excited about the trajectory of our business as I hope you can feel in every word and we look forward to updating you on further progress during our investor event in May. Thanks a lot.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.