Entain

H1 Trading Update

11th August 2022

Transcript

Disclaimer

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Jette Nygaard-Anderson:  Good morning, and thank you for joining our Interim Results presentation today. I’ll start with a brief overview, then spend some time giving details on our other exciting announcement this morning, namely our strategy for Central and Eastern Europe including the acquisition of SuperSport. We can then return to our H1 performance: with Rob talking through our numbers. Finally, I will update you all on our strategic progress before we finish with questions.
Jette Nygaard-Anderson: A few weeks ago we updated you on trading in Q2 and the first half of the year. Today I want to be clear with the message; Entain’s H1 performance was robust as we successfully continued to deliver on our strategy. Our Retail business performed strongly as customers enjoy the updates made to our machines and overall in-store experience. Our Online performance was more mixed as we faced into various headwinds, in particular lapping tough covid comparators. By putting the customer at the heart of our strategy, decision making, and delivery, we are making great progress against our objectives. Our record levels of actives is testament to how our customers are responding as we deliver great products, with our leading brands attracting new, and retaining existing, customers, all whilst broadening our recreational audience. Our strategic M&A continues; and this morning we announced the creation of Entain CEE and the acquisition of SuperSport. This marks our fifth transaction so far this year - and we continue to have several attractive opportunities in our M&A pipeline. Looking to the US, it is also great to see that BetMGM continues to go from strength to strength. Alongside Growth sits our Sustainability strategic pillar. We are making great progress across the board, leading the way and setting the standard for our industry on responsibility and sustainability. So now turning to today’s exciting transaction.
Jette Nygaard-Anderson: This marks our first proper steps into Central and Eastern Europe and will enable us to drive our growth strategy across the region. You’ve heard us say before that CEE is a strategic focus for us, being a highly attractive market with significant opportunities, whilst also being aligned with our commitment to operating in fully regulated markets. In true Entain style we are taking an innovative and unique approach to expansion in this market that will enable us to unlock the significant opportunity. Firstly, we are establishing Entain CEE to drive expansion there, partnering with EMMA Capital, a leading investment firm with considerable expertise in the region. Entain CEE is owned 75% by Entain, and 25% by EMMA Capital. Secondly, Entain CEE will acquire SuperSport, the leading gaming and sportsbook operator in Croatia, currently owned by EMMA. SuperSport is a great business. It has 54% market share in the regulated Croatian market, with 85% of revenue coming from online and it has delivered consistently strong financial performance. The transaction is expected to be mid-to-single digit earnings accretive in the first full year. Entain CEE will be led by Radim Haluza - current CEO of SuperSport and a highly experienced and capable individual within the industry. In terms of the transaction structure itself, Entain CEE is acquiring 100% of SuperSport for an initial consideration of €800m, of which €600m is payable in cash by Entain on completion, which is expected to take place in Q4.
Acquisition

CEE is a highly attractive growth market of ~€5.0bn GGR

>10% GGR CAGR expected over next 4 years

<0.5% Entain current market share

~€5.0bn TAM
Today across 10 major fully regulated markets

Jette Nygaard-Anderson: As you can see, CEE is a highly attractive growth market worth today around €5bn of gross gaming revenue and is expected to grow at over 10% per year through 2025. The 10 major markets across CEE are dominated by local operators and is therefore a highly attractive consolidation opportunity for us. At the moment, we are being selective in terms of which markets in the region we’re prioritising, based on various factors such as regulatory environment and addressable opportunity.
Jette Nygaard-Anderson: Historically international operators have had little success in driving consolidation in the CEE region. The sector is led by locally founded national players, few of which have succeeded in building at scale outside of their ‘home’ country. International players have historically found it challenging to secure lasting market share across the region, as they have often lacked necessary local market knowledge. So we have created Entain CEE which addresses many of these challenges and combines; our global scale, access to capital, and industry leading capabilities, together with the regional knowledge and connectivity of EMMA Capital – which I would add - is key, and overlaid the expert regional operational knowledge of local acquisitions and their management teams starting with SuperSport. As I’ve mentioned, Entain CEE will be led by Radim Haluza, current CEO of SuperSport. We have set out more details on the structure and governance in the appendix.
Jette Nygaard-Anderson: So, to give you a bit more detail on SuperSport – it’s a fantastic business. It is the leading player in the attractive Croatian market with a number of differentiating factors. It has a 54% market share in Croatia, with a broadly 50:50 split between betting and gaming it has good product diversification. It has 130k+ yearly unique active customers. Its website is amongst the top 20 most visited in Croatia, and has a 70% brand awareness.
Jette Nygaard-Anderson: Having originated out of retail, and still retaining a shop network, SuperSport has transformed into a predominantly online operator with a proprietary technology and app offering, supported by in-house infrastructure. As such it has grown rapidly with 85% of revenue online alongside a best-in-class retail offering. It has a proven omnichannel approach that helps drive brand awareness and customer acquisitions.
Jette Nygaard-Anderson: As you can see, SuperSport has demonstrated consistently strong financial performance over the years with strong margins. Delivering compound annual growth from 2016 to 2021 of 16.6% for revenue and 20.8% for EBITDA, underpinned by healthy EBITDA margins. Going forward we expect SuperSport to continue demonstrating resilient top line growth and margin progression.
Jette Nygaard-Anderson: The transaction is expected to value SuperSport at €920m, which implies a 9.1x FY22E EBITDA multiple after synergies. For 75% of the economic rights in SuperSport, we are paying €600m in cash at completion. There are further potential payments to Emma based on the performance of the business as shown on this page. But the important thing to note is that the total consideration plus the enhanced dividend will imply a multiple of less than 10x SuperSport’s last twelve months EBITDA. We’re intending to fund the transaction entirely through debt financing and will raise approximately €700m of third-party debt financing, which will add 0.4x to our pro forma leverage. The transaction is expected to be mid-single digit earnings accretive in its first full year of ownership, and we expect to complete in Q4 this year.
Jette Nygaard-Anderson: So, to summarise this very exciting strategic opportunity. CEE offers an regulated market with strong growth prospects. We have created an innovative structure to unlock the potential in this region, that structure provides the regional expertise to grow, and the local expertise to execute. SuperSport is the Croatian market leader with unrivalled brand recognition. It has a highly attractive financial profile with a proprietary in-house technology stack. This transaction fits firmly with our growth strategy by entering new regulated markets and broadening our geographic diversity. With that I’ll hand you over to Rob to go through our first half results in detail.
Rob Wood: Thank you Jette and Good Morning Everyone. Let me take a moment to say, I’m delighted to have announced our latest acquisition this morning. We’ve been looking at the CEE market for a while and it has been a challenging region to break into. So establishing Entain CEE with Emma Capital and the acquisition of SuperSport provide us an exciting, strategic solution to unlock significant opportunities and value across the region. Now on to the numbers. I’ll take you through the financial highlights ... and then will end with some comments on guidance. As always, you’ll find more detailed financials in the appendix to review at your leisure.

So kicking off on this slide, we set out the key highlights of our Group’s robust performance during the 1st half. Group NGR was £2.1 billion, up 18% on last year and if we include our 50% share of BetMGM, that sees a total NGR of £2.4 billion pounds, up 22% YoY on a constant currency basis. Retail’s performance was excellent, of course benefiting from lapping H1 last year when our estate was largely closed or under covid restrictions, but it also benefitted from our improved in-store experience, which Jette will talk you through in a bit more detail shortly. Online NGR for H1 was down -7%, primarily as a result of the tough Covid boosted comparatives last year. What is pleasing about our Online performance is that it continues to be actives driven, with record levels, up 57% vs H1 2019, demonstrating a greater mix of recreational customers. We are seeing strong reactivation of our existing player base, as well as attracting new customers with FTDs up +35% vs pre-Covid. Online NGR has now grown at a 3 year CAGR of +13% at constant currency, and if we strip away the covid impact on last year, online NGR growth for H1 would have been positive. Which, given the other headwinds we faced into, including the temporary loss of Netherlands, the benefit of the Euros last year, affordability measures in the UK and the consumer backdrop, that clearly shows that the underlying momentum and relative resilience in our Online business is strong. Moving across the page; Group EBITDA came in at £471 million, up 17% YoY, with Retail ahead and Online behind. This growth in NGR and EBITDA reflects the underlying strength of the group that comes from the diversification of our geographic, product and channel mix. BetMGM continues to perform very well, with H1 NGR of $608 million dollars and we are
firmly on-track for NGR of at least $1.3 billion dollars for the year. Our share of losses for the half were in line with expectations, as BetMGM continues to grow and invest in the future. Moving on, underlying cashflow was £191m pounds in H1 and adjusted EPS comes in at 47.6p per share, up +50% YoY for the half. Following an active start to the year on M&A, net debt nudes up to £2.2bn pounds, with leverage of 2.3x at the half year. The Evolve cost savings programme that we announced with our interims last year is on-track to deliver £100m pounds of cash savings in 2023. We’ve included a slide in the Appendix as a reminder of the phasing, as well as the split between EBITDA and Capex. And to finish this slide, dividends. You will have seen the Board’s decision to re-instate the dividend with an updated policy. We re-start with a dividend of £100m pounds for the 2022 financial year, and plan to grow it progressively thereafter, I'll come back to it in a bit more detail shortly.
Rob Wood: Here we set out the usual EBITDA bridge for H1, walking through the various moving components. For the half, we posted Group EBITDA growth of 17% versus the prior year. This YoY performance reflects a starkly different covid impact by channel in the prior year, but more importantly the benefit of diversity. Starting with Online, EBITDA at nearly £385m pounds was down around £111m pounds vs 2021, with our performance impacted by the headwinds I just mentioned, in particular covid restrictions last year. Conversely Retail delivered EBITDA of £141m, which is up £204m YoY with shops fully operational this year. The performance has been helped by our Best in Class offer across both our gaming machines and self-service betting terminals. LFL volumes in Retail are back to pre-Covid levels and volumes in the UK and Italy are ahead. Corporate costs during the half were up nearly £9m, which relates to our ongoing commitment to responsible gambling, player protection and ESG initiatives. And finally, to our New Opportunities segment, which comprises innovation and Unikrn. With £15m invested in H1, we are on track with our full year guidance of £50m, which is weighted towards H2, primarily due to Unikrn launch timings. While this hits EBITDA as we invest, it is of course a driver of future value.
As at 30 June

Key metrics

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<th>2022</th>
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<tr>
<td>EBITDA(^1)</td>
<td>£471m</td>
<td>£401m</td>
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<tr>
<td>Underlying free cashflow(^2) (before investment in BetMGM/acquisitions)</td>
<td>£191m</td>
<td>£198m</td>
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<tr>
<td>Net investment in acquisitions/BetMGM</td>
<td>£293m</td>
<td>£453m</td>
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<tr>
<td>Net debt(^3)</td>
<td>£2,210m</td>
<td>£1,951m</td>
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<tr>
<td>Leverage(^3)</td>
<td>2.3x</td>
<td>2.2x</td>
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<tr>
<td>Accessible cash(^4)</td>
<td>£386m</td>
<td>£395m</td>
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Adding undrawn RCF to accessible cash gives over £900m of available cash

Rob Wood: Moving on to cashflow; We continue to invest in our business and in H1 we deployed £293m pounds on M&A and BetMGM investment. As I mentioned, we ended H1 with net debt of just over £2.2bn pounds and leverage at 2.3x. Liquidity also remains strong with £386m pounds of accessible cash, which becomes over £900m pounds when you add in our undrawn RCF. During the second half we have the newly announced dividend payment, a £100m bond repayment, as well as completion of the BetCity acquisition in Q4, all of which we have ample resources for. As Jette touched on, the SuperSport transaction has committed financing. Assuming SuperSport also completes in Q4, pro-forma leverage at the full year is expected to be a little under 3x. As a reminder, our strong cashflow enables us to de-lever by around half a turn per year. And so we continue to have a strong balance sheet to support our growth.
Rob Wood: Now to a reminder of our capital allocation policy. We are a growth business and given our growing profits and strong cash generation, we’re in a great position to deliver that growth and manage our balance sheet and drive returns for shareholders. And so our capital allocation policy is clearly built around growth. I’ve outlined these priorities previously, so I won’t go through them again this morning. The key update is our new dividend policy. The board has been cognisant to balance the importance of dividends alongside our strategic growth agenda and ensure that any dividend policy is appropriate for a growth business like Entain. So we are implementing a progressive dividend policy, starting with a total dividend of £100m for the Financial Year to December 2022. The dividend will be paid in equal instalments with the Half Year and Full Year results, which means the interim dividend announced today will be 8.5p per share.
Rob Wood: And finally, an update on guidance and this slide focuses on the material changes to the guidance we comprehensively set out in March. You will have seen from this morning’s statement that our expectation for 2022 Group EBITDA is in the range of £925 to £975 million pounds, which is in-line with updated consensus following our Q2 trading statement and it represents YoY growth, of 5 to 10%. With our Q2’s we updated online NGR guidance to be flat year-on-year for 2022. And as you are looking at the shape of the halves, we expect H2 to be: Back into YoY growth; and in-line with H1 on a 3yr CAGR basis with double digit growth. Similarly with Retail, these comments are reminders of what we outlined in July. We expect H1’s NGR performance to continue for H2, save for a normalisation of strong sports margins in H1. However, EBITDA will be impacted by some additional energy costs and a full-half impact of our increase in minimum colleague pay to £10/hr. So my steer here is to note Retail’s excellent H1 results, but don’t just double the H1 EBITDA for the full year.

On the right hand side of the slide, you can see we recovered during H1 £160m pounds from the Greek authorities following a favourable Court ruling last November that we reported on at year end. Whilst the recovery was in line with expectations, the timing was unclear and so this is a positive development, although we note the ruling in our favour has been appealed and a Supreme Court hearing is expected in 2024. Lastly, we now expect our underlying effective tax rate to be 18% for 2022, which is up from previous guidance of 15% following the Gibraltar government’s decision to withdraw its super deduction for marketing for 2021 and 2022. So this one-off benefit has now been removed. So in summary Entain’s H1 performance reflects the underlying strength of our business. The Group’s momentum continues to be strong and our outlook for the balance of the year is unchanged. With that I’ll hand you back to Jette.
Jette Nygaard-Anderson: You’ve seen this slide before, but I think it’s worth reiterating that our strategy is based around 2 key pillars – of Growth and Sustainability. Entain is all about bringing moments of excitement into people’s lives. By listening to our customers, better using data analytics and putting customers at the core of every decision we will; strengthen our business, make it more sustainable for the future, become more diversified as we open up new avenues of growth, to ultimately create even more sustainable returns for our shareholders. I’m delighted to say that we have been making great progress on all fronts, creating new experiences for customers that are driving greater engagement and have seen us reach our highest ever level of actives.
Jette Nygaard-Anderson: It is our unique Entain platform that not only underpins, but also drives our customer centric growth agenda. Our technology, talent, capabilities and expertise combine to deliver growth ahead of our markets. Whilst our data insights, in house studios, technical agility and leading martech all enable us to be increasingly customer centric. Simply; our platform is the enabler that will support our growth into the $160bn-plus TAM opportunity I outlined this time last year. We are able to not only capture the in-built growth dynamics of our industry, but also embrace the online growth from increasing digital adoption. As audiences seek differentiated and varied experiences, the breadth and depth of offering is ever more vital to customer engagement. Our capabilities within our platform have enabled us to grow into new regulated markets, predominantly through an enviable track record of M&A delivery with Entain being the consolidator of choice. The customer insight and analytics embedded in our platform not only underpins our focus today, but ensures visibility of new trends and emerging product verticals. All meaning we are best placed to capture valuable first mover advantages. I am confident in saying that our operational capabilities and delivery are stronger than ever. I am also excited by the strength of our leadership team and ambitions for the future. With our long runway for growth, we are looking forward as to how we best align our structures and processes, ensuring we can best leverage our platform into the opportunities ahead.
Jette Nygaard-Anderson: Here we have set out a reminder of what that opportunity looks like and the powerful drivers that will grow our addressable market to almost $170bn. You may remember last year we said our markets today were worth around $40-45bn (including the US) and given our M&A, the return of retail and the growth in the US, we are already expanding that. Our core markets are expected to grow at mid to high single digit CAGR into 2025, plus our new and growth markets are expected to grow at a double digit rate. Having increased the scale of opportunity in the US to $37bn earlier this year, we can see our markets being worth almost $170bn, providing us with the opportunity to more than triple the size of our business. One of our many advantages is the diversification of our business. This not only provides greater resilience and sustainability in our revenues, but also provides exposure to higher growth markets such as Brazil. Our scale now means that, including our share of BetMGM revenue, no more than 30% of our online NGR is exposed to any one market. As markets like Germany and Netherlands complete regulation and as we grow into new markets, this diversification will only increase.
Jette Nygaard-Anderson: I am delighted to say that our strategy to broaden our appeal and attract a more recreational audience is delivering, as we focus on providing great products and experiences for customers. That focus has also seen us hit record numbers of actives, for example recreational customers are now over 90% of our mix in the UK. We can use our data insights to provide this broader audience with more tailored offerings, such as new and differentiated products, media, content and social interaction with friends. As the chart on the right shows, we see excellent retention amongst our customers. Our broader engagement improves our understanding of customer behaviours and thereby driving even better retention. Let us now look at our strategy in action.
Jette Nygaard-Anderson: Since our Capital Markets Day last year, where we spoke about working to invigorate our brands, we’ve continued to build on the success of our Balloons, Drummers and Ladbroke-it advertising campaigns. However, I want to also shine a spotlight on some of the more targeted and tailored marketing we are able to deliver. Our recent Gala-land campaign is a great example of how we leverage our data and deep customer insights to engage with specific demographics and expand our recreational audiences. Working with over 160million user profiles from more than 30 territories, and over 250yrs of brand history, we’ve been able to rethink how we view our customers, based on shared values and needs, as well as recognising the opportunities for cross-segmental values. This has provided us with powerful tools for creating efficient and effective marketing campaigns. And the results are clear, our most recent Gala-land campaign saw weekly search volumes for GalaBingo jump 9% to its highest ever. Daily site visits were up 12%, player volumes up 16% and first time deposits spiked 33%. So, understanding our customers allows us to shape and position our brands around them. Doing this across more of our brands delivers a wider customer audience all while driving efficient and sustainable marketing. This intelligent and powerful approach is becoming part of the Entain marketing playbook, and we have another exciting & innovative Ladbrokes campaign coming shortly.
Driving greater customer engagement

Jette Nygaard-Anderson: This deeper understanding and insight allows us to know more of what our customers want, from interactive experiences and expanded offerings, to seeking new, differentiated and engaging features that extend beyond traditional betting and gaming products. And we are responding, leveraging exclusivity through third party providers as well as the creative talent of our in-house studios to develop exciting new game categories and engagement features. For example: we re-imagined one of our most popular games as a live gameshow - “Well Well Well LIVE”. The customer response has been incredible, with over 400 thousand players since its launch in April and an average of 25 million bets each month. In fact, over 90% of our live casino players have tried it, and stickiness is over double the levels seen at other top ranked games, with over 55% of players returning to play again.

Last week we launched Starzle, another example of an exciting game in the emerging live-gameshow category. It’s early days, but we are pleased by reactions so far and look forward to seeing more of our customers engage with these new types of games. Meanwhile our Free-To-Play products continue to prove extremely popular, with over 800 thousand weekly players on our UK brands alone. And it’s not just our existing customers that are enjoying our free-to-play products, with over 140 thousand NEW players joining via Free-To-Play in H1 2022. In April we launched ‘Mates Mode’ in Australia. This is a social feature that builds and delivers the community interaction our customers have told us they enjoy.

Players can set up groups, recommend and follow each other’s bets, back bets together and chat. It has been really well received so far with over 1/3 of bets being copied and shared by a group member, and we are seeing those customers engaging more with multis and combination products. Meanwhile Bwin has continued to build on the strength of social campaigns last year, which included livestreams and game-day treasure-hunts. The social media led “Predictor” product has had over 700k unique players, as fans interacted around the large European tournaments. The broadening of our engagement offer, means not only do we retain customers within our ecosystem, but proves we provide an alternative form of entertainment our customers enjoy.
Jette Nygaard-Anderson: Our partnerships continue to provide a great platform to build customer engagement. McLaren is a perfect example of what we can do working alongside partners with strong brands and shared values. It also unlocks access to exclusive content, such as behind the scenes with the McLaren team, and prizes including backstage passes to Formula 1 races. Most recently we’ve launched the McLaren Turbo series, which offers a supercharged poker experience and features Daniel Ricciardo. Bwin continues its long term partnerships with the UEFA, the German FA and multiple Bundesliga clubs. I am also extremely proud that Bwin partners with the German Women’s football team. This relationship has been in place since the start of 2019, and it’s gratifying to see women’s football receive the attention it deserves. This is a perfect example of the kind of partnerships we identify and build; as we expand our brand reach and depth into new audiences, whilst supporting talented sportspeople and their teams. We have also been busy building our content and media across our brands. ITV’s Against The Odds series produced in association with Coral has had 3.9m views with a social reach of over 15m people. Developing the series alongside ITV's creative team has been a fantastic opportunity to shine the spotlight on the incredible stories behind those inspiring sportspeople. Our business in Australia continues to lead on innovative and exclusive content - the inhouse team have now produced almost 600 videos, watched by over 21m people as well as seeing strong social engagement. We also recently announced our partnership with Australia’s leading free to air broadcaster, Racing.com. Launched in July, these live racing channels on both Ladbrokes and Neds deliver an integrated experience for our customers. This further differentiates us, embedding us as the first choice for racing enthusiasts with a compelling content and media offering driving brand awareness and engagement.
Digitalisation of offering delivers an unrivalled retail experience

Market leading customer offering
- Digitalised store environment
- Newest cabinets and greatest content
- Proprietary BetStation software rollout
- Enabling our colleagues

Interactive experience akin to digital
- Broader BetStation offering
- Unmatched offering of exclusive & in-house games
- Intelligent menus with store level tailoring

Unlocking new opportunities
- Accessing broader mix of customers
- Offshoot sports markets uncovered
- Unlocking deeper & more varied wagering markets

Jette Nygaard-Anderson: As demonstrated by the strong performance during the first half, UK Retail is another powerful example of how, by focusing on what engages our customers, improving the in-store digital offering and creating experiences that are second to none on the high street, we can drive performance. We started, as ever, with our customers. Having a large number of shops with a broad base, provides valuable insight on what they want. And that is a better more interactive experience. So we put more digital screens in our shop fronts that can flex between national campaigns or locally relevant activity and align better with online campaigns and offers. In our digital hubs, touchscreen displays replace hardcopy fixture lists and ensure odds are real-time, while monitors show live sporting action from around the globe as well as our Ladbrokes and Coral TV content. We know customers came back to stores for the gaming machines experience that can’t be easy replicated on a mobile phone and this accounts for around 55% of our shop volumes. We have more of the best cabinets, making play more interactive and engaging. Over 60% of our gaming content is exclusively provided by third parties, - when added to our own in-house games this means we have the best and most differentiated offer on the high street. On the sports side, the more digital in-shop BetStation offering has been well received as customers now have access to a wider variety of sports and offers, and we are also seeing a much broader demographic enjoying the instore experience. This wider audience is driving some new and interesting trends: for example more betting on the Indian Premier League cricket, which was virtually unheard of in-store a few years ago, and we are seeing an increasing number of sports customers expanding their interests into games like Basketball. In absolute terms, our Betstation NGR is now over 1.5x bigger than in 2019. We continue to evolve the proposition, and are developing our own Group BetStation software solution which will be live in over 25% shops ahead of the football World Cup this year.
Jette Nygaard-Anderson: Now turning to BetMGM in North America. Adam and the team provided a comprehensive update in May and the business very much remains on track with their long-term roadmap and path to profitability. In the three months to May, BetMGM had a market share of 23% across the states it is live in. That number excludes NY, as we have clearly articulated that due to NY’s tax rate we are deliberately de-prioritising marketing spend there and focusing on those states with better returns. That said even including NY our share across our live markets is 21%, so still very much in line with our longer term 20-25% share expectations.
Jette Nygaard-Anderson: During H1, Entain enabled the launch of BetMGM in 4 new states as well as Ontario. In each market BetMGM’s flexible, innovative and unique commercial strategy and delivery model is all underpinned by the Entain business intelligence engine, which provides one of the widest customer access models coupled with best in class channel optimisation. Recent exclusives with Carnival Corporation and a Wheel of Fortune branded gaming experience are illustrative of BetMGM’s broader and differentiated strategy in attracting the right long-term customer base. As demonstrated by our approach to New York, our focus on return on our investment means we spend were we see the greater opportunity, delivering more customers at lower contribution costs and greater returns. As with Entain’s international business, also underpinning BetMGM’s success is the quality of our products and offering. Our US portfolio contains over 1000 games and our exclusivity of in-house games delivers unrivalled products and experiences to customers across North America. This is evidenced by BetMGM’s ongoing leadership in iGaming, and we continue to build our Sports betting share with a number of new initiatives landing in the next few months. As mentioned in May, developments include an app re-design to optimise product and feature discovery, enhanced content display, as well are greater personalisation for a more tailored experience. These fantastic improvements are coming soon and are expected to be live ahead of the NFL season in September.
Jette Nygaard-Anderson: I think it’s also worth revisiting the structural advantages and efficiencies that BetMGM are able to leverage due to both joint venture parents. These provide embedded cost advantages in the range of a 600-700bps margin benefit. They include such things as; the scale & capability advantages for marketing, royalties and regulatory expertise from both parents, savings on market access fees and access to a well known brand and associated customer base. But the biggest cost advantages come from the Entain platform, with technology, in-house products, data analytics, BI and CRM expertise. These are significant and additional to that 600-700bps structural margin benefit.
Jette Nygaard-Anderson: And last but not least before I summarise, sustainability is the second of our twin strategic pillars and is at the heart of everything we do. We continue to lead our industry on responsibility and deliver further progress across our Sustainability Charter. This slide shows some of those achievements so far this year. ARCTM is being rolled out into international markets. And our responsible gaming efforts have been recognised in the UK and internationally with awards from GamCare and EGR. Through the Entain Foundation we continue our investment in our local communities. Just last week we announced the latest extension to the Pitching-In Trident League partnership, as well as the launch of our Volunteer Hub and expansion into international projects. Similarly, the Entain Foundation US launched its Gamble Responsibly America app. This is the first of its kind and has been widely endorsed including by the America Gaming Association. Through partnerships with EPIC Risk Management and the Oakley Foundation, the Entain Foundation US has led education initiatives with US colleges and professional sports organisations about responsible gambling practices. We continue to strive to meet, and exceed the highest standards in everything we do, and we are being recognised for it. I am delighted that we received S&P’s award which recognises our ESG leadership as well as inclusion in the Global Sustainability Yearbook 2022 and in the US, SBC has named us as the Socially responsible Operator of the Year, two years running. You’ve heard me say it before, and I’ll say it again. I firmly believe that the most sustainable business will be the most successful business in our industry. We understand and embrace the role we play in our society and my team and I are committed to Entain’s leadership across the Sustainability agenda. We will be holding our second Entain Sustain event on 19 October and I look forward to updating you on our progress and leadership in this important area.
Jette Nygaard-Anderson: So to let me summarise a busy morning: We are making great progress on our strategy, advancing on numerous fronts. This is a key factor in driving our actives to record levels as we widen our customer base and engage with a broader recreational audience. We continue to grow through M&A with five transactions announced so far this year. Each and every one of them reflects our ability to focus on the right solution for each market. BetMGM continues to go from strength to strength. And we have further extended our industry leadership on the very important area of sustainability and responsibility. But if there is one thing I’d like to leave you with today, that is the underlying strength and momentum in our business. This and the diversification of our business, our strategy and the huge pool of talent we have with Entain means we are confident that we can continue to deliver value for all our stakeholders. That ends the formal part of the presentation, so thank you for listening, I’d now like to open up for your questions.
Ed Young: Thank you. My first question is on online growth. You've given an unchanged outlook for the full year, which is flat online revenue, so up 7 in H2. And implicitly therefore you're saying, there's no change to four to five points of spend per head softness you saw in Q2. So can you just help us bridge that growth to H2, how much of that is external?

You've got BetCity, Netherlands, Germany, and how much is sort of organic could turn around, if you like. So that in-line trading expectations. Does that implicitly mean, I guess that July and current trading is positive given you're looking for positive growth in H2? That's my first question.

Jette Nygaard-Andersen: Hey, good morning Ed. Let me just kick that off and then I'll hand you to Rob. So as you say, our guidance is unchanged from three weeks ago in July. And we've communicated guidance in line with what we are comfortable with. And that also means that we are not seeing any change to player behavior since July and hence the guidance unchanged.

Jette Nygaard-Andersen: So we always remain vigilant when we look at our numbers. But we also see that our diversity, whether it's in products and geographies, provides good resilience into our business. So we are continuing to basically execute on our plans here while we preserve all optionality into 2022 and further into 2023. So with that, we hand you over to Rob to give you a little bit more detail on the in-line trading. Rob?

Rob Wood: Good morning Ed, and in particular how we return to growth in the second half. So clearly part of the story is about what happened in the prior year as well as what's happening this year. To give some comfort. If you look at the absolute NGR that was delivered in Q2, that's ahead of both Q3 and Q4 last year.
Rob Wood: So just on a on a run rate basis, there's a return to growth and clearly we're building off record actives in Q2 as we've already reported. Then there are some additional drivers of why the second half should be stronger than the first half. For example, we assume a return to the Netherlands later this year. And of course, from a year on year basis, the lack of Netherlands falls out of Q4 when you're looking at the comps.

Rob Wood: We do have a full half of Sports Interaction. So there's a little bit of inorganic, if you like, And then we have a World Cup later this year, which whilst it's pretty substitutional for some of our territories that would otherwise be in normal full flight season, it is incremental for territories like Brazil, given the timing falls in their normal off season.

Rob Wood: So there are a number of catalysts for why H2 should be stronger in absolute terms. And then in particular year on year, you've got things like Netherlands and lapping COVID, which is a big part of the story as well. Hopefully that that's clear.

Ed Young: Yeah, that is that is great. It sounds like therefore July would have been up if you say Q2 is above Q3 last year. The second question I had was about recreational players. There's a very interesting chart on slide 24 about talking to get to 90% of NGR for UK brands from recreational customers. Obviously, you know, recreational base is an important theme in the sector.

Ed Young: Everyone defines it slightly differently. The footnote says recreational and low spend/frequency customers. I just wondered if you could help us define what do you mean by recreational customers? And could you perhaps give some colour on where recreational players are in markets outside the UK, given you mentioned there Jette that you're moving ARC from just the UK into your international markets as well?

Jette Nygaard-Andersen: Yes sure Ed. And let me take that. So when we look at recreational players and let me just take a step back, this has been a key strategic focus for us for the last one and a half to two years. And that's really why we put the slide out there, because you can see we've made tremendous progress in increasing our recreational base and therefore also their contribution to NGR, which is important because it provides for a healthier NGR going forward.

Jette Nygaard-Andersen: Now, when we think about the recreational players, I mean, obviously the level of spend goes into that, but we look at more things than that. So we look at their price sensitivity. We look at which type of the entertainment they enjoy, their favorite...
sports, their favourite teams. We look at which products they use. So, do they lend themselves more to in play/accumulators/multi-bets.

Jette Nygaard-Andersen: And then we add different sustainability factors and broader customer base things into that. So it's really quite complicated for us. And we try to do a very, very detailed segmentation both using all the data that we have and all the data analytics and BI capabilities that we have. But it's also a very deliberate effort from our side.

Jette Nygaard-Andersen: So when you look at our marketing strategies in the UK, but also into Australia and into Europe, we've really focused on driving, you could say this type of audience. So through more low risk promotions designed to appeal to recreational audience expanding free to play, which I talked about in the presentation a little bit earlier. And we work with gamification elements.

Jette Nygaard-Andersen: So I think last year we talked about our five A-side gamified products, which gamifies a complex multi-bet offering/live casino. We've launched a new games category in live game shows and I could go on and on. But, but just to tell you that it's more than just a specific spend level, it's really a thorough segmentation that goes into how we define a recreational audience.

Rob Wood: And I think if I could just jump in that just going to add for you Ed, the way to think about that chart is it's the inverse of the top end. So that's what's not in there. So therefore now 90% of the revenues is coming from customers who are not classified as the high spenders.

Ed Young: Okay. So obviously more than a spend per head metric there. On the on the European point, I was I wasn't quite clear. Are you saying that it's already somewhere in that range. Are you saying your ex UK business is at the level the UK was two years ago? Is that already at the level. It is now.

Ed Young: Just try to understand where it is on that on that journey. If you could sort of roughly how we quantify that be useful.

Jette Nygaard-Andersen: Yeah. So, so UK is the most advanced, if you like, in terms of driving recreational audiences. But it's something that we do in all countries. It's a strategic priority for us. So in all countries we work to increase the recreational spend. And the curve might look a little bit different in other countries. But what you see here is the UK charts where we work with this very focused and you mentioned also ARC, which is also part of that whole strategy in order to make a much more dynamic approach to player safety.
Ed Young: Thanks. And my final question was on Entain CEE and SuperSport, you spoke a fair bit about SuperSport in terms of the leadership, the technology - you were perhaps a bit more brief on EMMA Capital. I wonder if you could expand on that and maybe go to PPF relatedly in terms what they bring to the party. And then implicitly, is this set up a structure?

Ed Young: Is it implicitly saying this is where you'll preferentially invest with the remaining leverage headroom that you have? Or is it because you're suggesting that there's more deals to come for the vehicle, or is it still completely even-handed? And it could be that you do deals elsewhere and nothing else goes into CEE. Thanks.

Jette Nygaard-Andersen: Sure. Good question. So I should say, we've set up Entain CEE together with the with EMMA Capital, which is one of the regions pre-eminent investment firms, and they have a significant gaming experience as well. So they've made investments in the past into Casino Austria, into Lottery Italia. And you probably also know about their investments into to CESKA and and I would just add to that, that that is an important part of our strategy here.

Jette Nygaard-Andersen: As someone who has prior experience working with businesses across CEE, I know the importance of exactly that local knowledge, customer understanding, expertise and network. And this might be true around the world, but I found it to be very important in CEE. So that is a partnership that we're all looking forward to. Now, in terms of our M&A and focus for CEE, you're absolutely right that when it comes to M&A and acquisitions in CEE, this is the vehicle that we expect will drive and will drive that expansion.

Jette Nygaard-Andersen: And we see a fantastic opportunity also to consolidate across that region, both, of course, with the expertise of the Radim, who will lead this venture, but also within EMMA capital and the network that they also might have you mentioned the PPF and so forth, but that doesn't preclude us from doing M&A outside of CEE, but when it comes to CEE, this is the vehicle from which we will drive acquisitions going forward.

David Lloyd-Seed: Our next question comes from Monique. Fatest finger first. If I can hand it over to you, if you'd like to unmute your line and ask your question, please.

Monique Pollard: Wonderful. Thank you. So three questions from me, if I can. The first is just about your UK online performance. So, you said UK online revenue growth minus 15 in the first half, that compares to UK data I'm seeing from the gambling commission down 23% and your actives also better actives growth of seven versus UK, industry data
up four. So, just wondering who you think you are taking share from in that UK market?

Jette Nygaard-Andersen: Good. Should we start with that? Good morning, Monique, and also apologies from my side. This is why we talk about our 99.95% up time all the time at Entain. Anyway, we'll get back into the mode here. Thank you for your question. Let me just take that. Yeah, it's a good point and it does suggest that we are taking share, we saw that in the UK through 2021, when we got the Regulus numbers. In terms of who we are taking share from, we are waiting to see what some of our competitors come out with this week. But when I look across 2021 and Q1, we could see that we were taking share against some of our bigger competitors. So, let's see and we expect that to continue, but we'll see when the numbers come out.

Monique Pollard: Okay, excellent. And then, second question was on the US and whether you can comment at all on how you intend to crystallise value in that US joint venture, I just think particularly relevant at the moment given the comments from MGM last week, that they're very interested in the JV, but they can't buy what's not for sale.

Jette Nygaard-Andersen: Yeah. And I think we talked about that before. So right now, we are all focused on delivering on our plans here. There are enormous opportunities that can go forward. We of course, waiting now for Kansas and Massachusetts, more importantly, we're also waiting to see what happens in California. So right now, together with our partners, MGM, we're really focused on delivering on the strategy and we confirm that we are still on track to be EBITDA profitable during next year and deliver the $1.3 or more than $1.3 billion in NGR this year. So where we sit, listen, the partnership is going really well. I heard what Bill said last week and that's really a question for him, but we are really satisfied with the partnership, it's working really well, there are enormous benefits from what we bring to the joint venture. So we'll continue to execute on the plans and as long as we align on, on the strategy there, I think that's proven to be quite successful.

Monique Pollard: Okay, perfect. And then the final question, also on the US. Just on the JV losses, what I'm having difficulty with tying up, so you said $109 million of JV losses in the first half, when MGM reported last week, if I combined their 1Q and 2Q, their share of the JV losses, it comes to $163 million. I'm just trying to bridge that gap. Not quite understanding it.

Jette Nygaard-Andersen: I'll make a general comment and then hand you over to Rob, because I think there are some differences in terms of how they report this. But just to confirm overall, what we've said is that we've committed funding this year around $450 million, so
we expect that losses for the full year will be in that range. And that means $225 for each of us for the full year. So, that's really what we have. Rob, I don't know if you have any insights into how MGM is reporting their numbers.

Rob Wood: Yeah, I do. Thanks for the question, Monique. It's actually quite straightforward. When MGM published their numbers, there's a one month lag. So what they describe as Q2 actually is three months ending May, whereas by the time we publish our numbers, we are able to do the full quarters worth. So there's a month timing difference, other than that, the numbers are the same.

Monique Pollard: Oh, okay. That's clear. Thank you very much.

Jette Nygaard-Andersen: Thank you, Monique.

David Lloyd-Seed: Thank you, Monique. Next question comes from Richard Stuber.

Richard Stuber: Hi. Morning, everyone. Just three for me. First one on BetMGM. Do you have any comments on how Ontario is progressing? Are you finding it... Is it like, another US state opening or is it a slightly different given the market which has been there previously? The second question I had was just on the new opportunities and I was wondering if you can discuss a little bit more about the launch of the eSports and Unikrn, what would we see in the second half and when will it start generating meaningful revenue? And the final question I've got on Entain CEE, it sounds like other markets outside of Croatia will be M&A led rather than organic entry. So just to confirm, is that correct? And more generally, do you see those markets only really viable for local brands? Thank you.

Jette Nygaard-Andersen: Thank you. I'll check them in a different order, so I can handover to Rob in the end for details on how, what we are expecting to see from new opportunities. But let me kick off with BetMGM in Ontario. So listen, we've had a great start there. We launched in April. BetMGM is performing well and we are on track on our expectations. Actives are good, customer conversion, good retention. I would say this, it's not like in other US states, so the market is very, very different. It comes from a history where you've had international operators operating there for a long time. It's extremely competitive. I think we've seen around 30 operators that have now gotten a license there and there are many, many more that are applying for licensing.

Jette Nygaard-Andersen: So, there is quite a bit of competitive pressure, but the good thing is that we have both sports betting there and also gaming. So we're also seeing good cross sell, which is great as we go forward. And momentum is building nicely. And we don't
have any numbers out yet, but we are expecting that we are probably in the high single digits somewhere and growing. So, more to come, but very competitive environment and we've secured a number of partnerships there, so that's also reassuring.

Jette Nygaard-Andersen: When it comes to M&A in CEE. So just to be clear, when it goes to CEE and the setup that we have there and the venture that we have there, we are seeing this as an opportunity for us going forward to consolidate within the region. And I mentioned this in the presentation this morning, it's really interesting when you look at the region, that there is actually none of the multinationals or international operators that have any success in taking meaningful share in that region. And that is because you see strong local brands and actually very few of those local brands cross borders. So, also the local operators have had a difficulty in actually expanding.

Jette Nygaard-Andersen: So we look at a number of opportunities and to your point around acquiring local brands in some of these other markets. And now, we'll wait for this transaction to close, probably in Q4 and then we'll look more into that. So that was on CEE.

Jette Nygaard-Andersen: And then, let me kick off on new opportunities in Unikrn, specifically on the commercial side and then if I can hand over to Rob to talk a little bit about when we expect to see revenues there. So, Unikrn and our eSports venture, we spent the last year in basically building the product and the platform, making sure we implemented all the compliance. And we are now looking at launching during Q4, probably towards the end of the year, which is really exciting. So, the short answer is, we're not expecting any revenues to come in this year. But Rob, do you want to comment a little bit more on our new opportunity area?

Rob Wood: Sure. I'll add a couple more bits of detail for you. So just firstly, a reminder that the £50 million annualised investment guidance is split roughly half and half between innovation and Unikrn. It is H2 weighted and the biggest driver for that is, as Jette's just talked about, planning to launch later this year and therefore the marketing investment that goes around it. So, I wouldn't change the full year guidance, but the phasing is H2 weighted.

Rob Wood: And then just to the other question, might it be material in 2023. I don't think we expect it to be. I think as you'll know, this is a very nascent market, but one that we're super excited about. So, I wouldn't adjust your numbers for 2023 to include this, but we will update as we go and we progress and launch into new territories during next year.
Richard Stuber: That's great. Thank you very much both.

Jette Nygaard-Andersen: Thanks.

David Lloyd-Seed: Thanks Richard. Next question's come from Joe Stauff. Very early, good morning, Joe.

Joe Stauff: Hey, good morning. Thanks for taking my question. I guess I had two questions, really on customer engagement. I guess first within the UK, just wondered where, say average spending levels were, say at this point, especially as you compare that to what you've seen or what you saw in 2019 levels, obviously you have a much larger user base. But I was wondering where, where that customer engagement was in the UK. Then second to that, is your kind of global portfolio and wondering if that level of customer engagement that you've seen, saying that in a core market like the UK, it might be different in other countries, it's more of an economic question and that's why I asked that.

Jette Nygaard-Andersen: Yeah. Good morning, Joe. You must have been up early if you went through the full presentation as well. Rob, do you want to start off on this question and then maybe come back to me and I can add a little bit of flavour of some of the things that we are doing across our countries.

Rob Wood: Sure. Morning, Joe. I can have a go. So in terms of customer engagement, yes, actives up very significantly and certainly versus 2019 pre-COVID. If you've had a chance to look at the presentation, yet, you may not. You'll see that in the UK, the spend levels, so spent per head are lower because we've gone on a journey to focus on the more recreational audience. And now as the presentation showed, around 90% of our revenue is coming from recreational or low spending customers. Average stake size is now down to £7 in the UK and of which we win say, 12% on average. So, low spend, generally speaking.

Rob Wood: In terms of economic comparisons to other territories, it's a mixed bag that there are some parts of Europe where we are seeing some indications of pressure on the consumer, but generally speaking, our numbers are still strong everywhere you go if you allow yourself to back out the headwinds, things like lapping COVID in the prior year, which obviously, in many of our territories where there's strong retail presence, that's a significant impact on the online numbers. But as we progress through the year, that should unwind. Does that hit the spot for you, Joe?

Joe Stauff: Yeah. Yeah. That makes a lot more sense. No, I appreciate that.
Rob Wood: Okay.

Jette Nygaard-Andersen: Maybe I can just add a comment. One of the reasons why we spent some time this morning talking about many of the activities that we have in both the UK, but certainly also in countries like Australia, in Europe and in Italy,

Jette Nygaard-Andersen: Because this is part of our strategy to basically increase the recreational base, to have much more healthy NGR contribution going forward.

Jette Nygaard-Andersen: As we are addressing a more recreational base, we are also making a lot of efforts in making sure that we then increase the engagement. So to put in black and white and make sure that they spend more time with us. And we also get a bit larger share of their wallet when they're with us. And that's why you're seeing us launch all these things around mates mode, community betting, live channels. It's all efforts to make sure that we engage them. Same thing. We're free to play bets where we have enormous conversion rates, which is a way for us to bring a new audience that are more recreational into the funnel and keep them engaged, and then also convert them into real-money gaming.

Joe Staff: Thank you, Jette. Thank you, Rob.

Jette Nygaard-Andersen: Thanks Joe.


Michael Mitchell: Morning, David. Morning Jette and morning Rob. Thanks for taking my questions and three, if I could.

Michael Mitchell: First just on guidance. And Rob, I think I heard you correctly when you said the guidance slide sets out only the major changes. So I just wanted to confirm, should we still be thinking about it 27 to 28% EBITDA margin for online this year as per the March slide?

Michael Mitchell: And then question two and three on super sport if I could. Firstly, on the EBITDA margin. Jette, I think in your scripted remarks you talked about the potential for further progression in the margin. I'm just interested in terms of how it generates such a high margin and how you think it can improve from here?

Michael Mitchell: And then thirdly, and Jette, maybe you just answered it or you just alluded to this in a previous answer, but clearly the market share is very strong in Croatia. I just wonder, is there scope for SuperSport to move beyond Croatia? Perhaps not on the
base of your comments about the importance of local heroes, but maybe you can just talk about top-line growth prospect for SuperSport given it's a very strong share today. Thank you.

Jette Nygaard-Andersen: Thanks and good morning to you Michael. Let me start off with SuperSport, and then I can hand over to Rob to talk a little bit more about the guidance.

Jette Nygaard-Andersen: SuperSport is a very strong business in the region. If you go into a pub or cafe, you will see the staff they wearing SuperSport T-shirts. They come with a very, very strong brand awareness. And I mentioned a couple of other commercial points in the call this morning. They have a 54% market share and they also just recently closed the partnership or the sponsorship with the Croatian Football Federation for 2022 and 2026. And anyone that follows Croatian football will know that actually sometimes that football team does really well. So there's a lot of strong things here.

Jette Nygaard-Andersen: I think when we look across the region, we do expect to see growth rates there around 10%. Probably that will be a little bit lower. That will be a little bit lower when you look to SuperSport and the Croatian market, but we're still expecting them to grow as they've done through the previous year. And when it comes to the margin, well, it basically goes to both the strength of their product, but also the strengths to their brands in Croatia. And there are really no one that's competing with them at that level within Croatia.

Jette Nygaard-Andersen: Then that's just your last question. When it comes to rolling out across CEE, we will look at it at case by case basis. A lot of it, I assume, will be driven by M&A, and looking for the strongest local brands. But there might be opportunities to roll out SuperSport into surrounding countries as well. But that's something we'll sit down with Radim when we close.

Jette Nygaard-Andersen: Rob? Guidance?

Rob Wood: Sure. Morning, Michael. So when we think about online margins and sort of jumping to the bottom EBITDA margin, you really need to think about the component parts above it. So gross profit margin, marketing spends, giving you contribution margins. So let me just talk through each of those, and then we'll conclude on the EBITDA margin. The killer margin for me is contribution margin. And you'll see that H1 came in almost on the range that we guided. We guided 40 to 41, and I think it came in at 39.9. So just at that bottom end of the range, meaning that we've been able to manage the marketing spend accordingly. Now, when you look above contribution margin at gross profit margin and marketing rate, the single biggest difference
between where we thought we would be in our guidance, versus what we're reporting in H1, and indeed expect the full year, is geographic mix.

Rob Wood: You'll have heard us talking about how Brazil has performed strongly, Italy has performed strongly, Australia has performed strongly. I should say Brazil is up year on year, but adverse to our expectation. Remember, we talked about increased competition in Brazil. So Australia strongly, Italy strongly, and Brazil below expectations. If you then think what that means from a gross profit perspective on margins, obviously Australia is a lower converting country, as is Italy, because we have franchisee costs. Whereas Brazil it's higher, so that's adverse. But then when you think about marketing spend, Italy is lower spend, because there's a marketing ban. Australia is lower spend, as the market's adapted to the higher product fees and point-of-consumption tax. Whereas Brazil is higher. So you've really just got an inverse going on there. So the key point is that contribution margin is in line, give or take, with guidance just at the bottom end of that, 40 to 41 range.

Rob Wood: What does that mean for EBITDA margin? Well, unless we go after the cost base in the same proportion, then there will be an impact on the EBITDA margin. And that's what we will see. So the EBITDA margin was 26 in the first half, and I think that's a safe assumption for the full year too. So in other words, movement in EBITDA margin is caused by movement in NGR, right at the top of the P&L, not the contribution margin. And opex spend is in line with guidance, hence there's compression on EBITDA margin as a result of NGR movement. Hopefully that makes sense.

Michael Mitchell: That's great. Thanks for the colour, Rob. Thank you.

David Lloyd-Seed: Many thanks, Michael. Next question comes from Ivor Jones. Morning, Ivor.

Ivor Jones: Morning, Thank you.

Ivor Jones: Back to CEE, does Entain control it? So if it executes M&A through the CEE business, and EMMA doesn't follow along, does EMMA just get diluted? And secondly, does cash get trapped in CEE until a lesson, until Entain owns 100%? And then back to the margin point in that business, the £5 million of opex synergies that you were talking about, I think you said that it would stay on its own tech? Will it eventually move to the in-house platform and what would be the upside from doing that?

Ivor Jones: And then just moving away from CEE, I'm trying to understand what RG measures have been taken in the UK that are driving revenue and relate them to the moving
target of what might be in the white paper. So could you just talk about in the UK, what you've done in relation to stake limits, and maybe where affordability checks land, and maybe around advertising? So we get some idea of, if we ever see a white paper, how far down that road you already are.

Ivor Jones: Thank you.

Jette Nygaard-Andersen: Great, good morning, Ivor. I'll try to remember everything. We'll do it like this. We'll start with SuperSport. I'll talk about the structure and the governance, as well as the margin and the synergies. Rob, if you can talk about cash and then I'll go back to UK and NRT.

Jette Nygaard-Andersen: You asked whether we control the venture and yes, we do. We have 75%. There is a board of five board members, where Entain appoints the five board members. And of course we'll discuss here M&A, and of course, if EMMA decides not to follow, then they'll get diluted to your point. But that's really not where we are. We've had really good discussions with EMMA leading into making this acquisition.

Jette Nygaard-Andersen: So I go back to your question. Yes, we have control and EMMA can of course make their decisions, but that's really not where we are. We've had multiple discussions around the strategy and potential targets going forward. So we look forward to continue to discussing that.

Jette Nygaard-Andersen: Just jumping to margins and synergies. You're right, SuperSport has their own technology. It's a really strong technology platform. So whether we at some point would migrate them to Entain platform. That's not something that we have to do now. We'll cross that bridge when we come there. The 5 million you see in synergies fully floating through in 2024 on the cost synergies, that's really more towards buying power and potentially helping with adding our games and so forth from third parties. Now, what we do expect going forward is, of course, that there could be more M&A synergies coming in as we form Entain CEE across the region. But that's not something that we put in there for now, of course.

Jette Nygaard-Andersen: Rob, do you just want to talk about cash?

Rob Wood: Yep, yep, that's very straightforward one. So no trapped cash. The intention is to dividend out proceeds to the shareholders in accordance with the ratio. And then, as and when further opportunities to invest, either organically or M&A, there the parents would make that decision and invest accordingly.
Jette Nygaard-Andersen: Good. And let's go back to the UK and RG and GAR and affordability. When it comes to affordability measures that we've put in place, I think I've talked about it a couple of times. This is something that we work with over the last one and a half year. And our strategy around this is really to implement ARC, which is a personalised protection. So we have more than three times as many behavioural markers as anyone else. We are the only operator that is capturing the realtime data, our self certification and the questionnaire are immediately, so they're real time, instead of you have to wait for an agent to call you the next day. And the reason I mentioned this is that the whole philosophy behind ARC is to slow down play, so we don't lose the customer.

Jette Nygaard-Andersen: And then to your point around staking limits. That's the same philosophy we have around staking limits. So we have personalised protection in place, which means that we are implementing dynamic staking limits. They are basically adjusted to what kind of risk play you have. And that's what we believe is a much more superior solution to managing this. And we also have things like control tools, where you as a player can set your own max staking limits. So we've taken a different approach to this, which means that our staking limits basically adjust to the player. And I think we've said many times that we think this is the right solution going forward.

Jette Nygaard-Andersen: Now, in terms of where this all lands, Ivor, I think we've tried to guess around this so many times. So we'll wait and see where the GAR comes out. But I do think that with everything that we've implemented through the last year to one and a half, we are well prepared for what comes from the GAR. But in terms of the details there, we will just have to see where this lands when we finally get it out there.

Jette Nygaard-Andersen: I hope that gives you a little bit more colour.

Ivor Jones: That's great. Thank you very much.

Jette Nygaard-Andersen: Thanks, Ivor.

David Lloyd-Seed: Let's hope we get a new leader and get the GAR out soon. Thanks, Ivor. And then we'll move on to Simon Davies. Morning, Simon.

Simon Davies: But yeah, first question was just on the SuperSport option structure. You talk about options kicking in after three years to buy out the minority. How does that work? And would you view that as a negative outcome? i.e. evidence of this strategy would not be working?
Simon Davies: Second point was on the 2020 decline in revenues in EBITDA at SuperSport, is that entirely COVID-related and therefore retail oriented? And what is the exit EBITDA margin for SuperSport, i.e. the current run rate?

Simon Davies: And the last one was just on Live Casino. You talk about a number of successful new product initiatives in Live. Are you signaling that this is becoming a more strategically important product vertical and do you have any view in terms of the potential for launching an in-house live casino capability?

Jette Nygaard-Andersen: Good question, Simon. Thank you for those. Why don't I start talking about our new initiatives and products within the live game shows. And then Rob, if I can hand over to you for the option structure and the question around 2020 decline.

Jette Nygaard-Andersen: So we've launched a new live game show category and the two games that I talked about this morning are both bespoke to Entain, which means that they're exclusives, so Well Well Well Live, that's our own IP and it's our own IP in perpetuity, which is based on a popular slot game that we had. And the same goes for Starzle, which is also bespoke and has a multi-year exclusivity.

Jette Nygaard-Andersen: So it plays into our strategy, which is around having exclusive content and having an exclusive content differentiation strategy. Now, when it comes to this specific category, it's a category that we've seen drive maybe not a new audience, but a more recreational audience and it's extremely popular. So without revealing anything, I can also say we have a couple of more games that are in development, which will also be bespoke for us going forward.

Jette Nygaard-Andersen: We're always looking at whether this is something we should build in-house or work with third parties. And this is something we will evaluate. I mean, we should always focus, in my opinion, on where we make the most difference. So we'll learn as we go and then we'll see whether this is something that we are going to take in-house at some point or start developing. That could be an opportunity for us, for sure. Hope that's helpful on the live game show side.

Simon Davies: Thanks.

Jette Nygaard-Andersen: Let's move on to option structure, Rob, and 2020 decline.

Rob Wood: Sure. Thank you. Yep, I'll take that. Morning, Simon. So this is a standard approach in these kind of situations. We as Entain wanted to make sure that we had a path to full ownership. And equally in EMMA's shoes, they wanted to make sure they had a path to exit, like any private equity firm would. So hence the arrangement that we've
come up with, very straightforward arrangement, effectively either side can decide to enact Entain buying the remaining 25% and the price effectively has done at prevailing value at the time. So no pre-agreed price or formula, there’ll be a fair value assessment at the time.

Rob Wood: And then shall I move on to the question about EBITDA? So yes, the dip in 2020 was COVID. So they have I think it’s 324 shops plus SSBTs in other locations as well. And clearly, during lockdowns that took a step backwards. But as you can see from the chart and the presentation, strong recovery since then, well ahead of pre-COVID levels. And EBITDA margin expectations continue to be in the low 50s, which is clearly very strong.

Simon Davies: Great. Thank you very much.

David Lloyd-Seed: Thanks, Simon. Next we’ll go to Kiranjot Grewal. Morning, Kiranjot.

Kiranjot Grewal: Morning, guys. Just a few from me. Firstly, on M&A. Do you think there’s any additional M&A likely this year, given where leverage will be post this SuperSport transaction? Also wanting to hear a bit more about the diversity or the geography, you touched on it in the presentation. Could you offer some more colour where the UK now sits in terms of your online NGR in terms of share, given especially the pull back in H1? And then lastly, more on Brazil, where are we with regulations? And I think at Q2, you said there was a step up in competition, has that held up since then? Thank you.

Jette Nygaard-Andersen: Yes. And good morning to you as well. Should I start off from the back then, and first talk about Brazil? So I think we talked about this in July as well. We have seen a step up in competition in Brazil, ahead of regulation happening. And that’s also why you see that we have extremely strong growth there. But as Rob has talked to, it was little bit lower than expected due to this competition.

Jette Nygaard-Andersen: I mean, our team on the ground estimate that there is currently 2000 operator sites now live, and many of them are just very small, mostly local, rather than us seeing any new international players coming in. And most likely, they will not get licensed. But it does create some competitive pressure right now, but we have the number one brand in the market and there is a significant first mover advantage here around our brand awareness and our product team on the ground and so forth. So we remain super excited about Brazil.

Jette Nygaard-Andersen: So that’s around Brazil. Around geography, let me just take that. I think there was two questions in your question, so I’ll try to answer. Otherwise, let me know if I’m not
hitting on them. So in terms of the geographical diversification, UK NGR, UK online NGR excuse me, now sits on 29% of our NGR, which is great to see. So we've increased our diversification. So we don't really have dependence on one country going forward.

Jette Nygaard-Andersen: So that was one side, I think you also asked about market share. So we don't have any Q2 market shares, but the last time we looked at, we had data from our market shares about end of Q1, it was around 17% as I recall. Rob, I'll hand over to you around leverage and M&A capital allocation.

Rob Wood: Sure. Morning, Kiranjot. So yeah, as you heard from the presentation this morning, once we include BetCity and SuperSport, which we expect to complete in Q4, we do expect year end leverage on a pro-forma basis to be a little under three times. And then naturally, we continue our de-leveraging journey from there.

Rob Wood: In terms of what does that mean for future M&A? Well, I mean, there's a difference between announcing M&A and completing. So any M&A of scale, you would've thought, even if we announced another one tomorrow, which we won't be doing, that it's unlikely to complete this year. And therefore you have time for the balance sheet to improve from where it's likely to be at the end of this year. So in short, no impact on our appetite for M&A. We absolutely continue to explore multiple opportunities and there are plenty high up the pipeline at the moment.

Kiranjot Grewal: Perfect. Thanks a lot, guys.

David Lloyd-Seed: Thanks, Kiranjot. Our next question comes from Jemma Permaloo. You want to unmute your line Jemma?

Jemma Permaloo: Hi. Hi, morning. And thank you very much for taking my questions. Apologies if I missed it, I just wanted to make sure. So for the SuperSport acquisition, you're using about 600 million of cash and you got another 200 million to go. And then you have the shorter dated maturity of around 500 million. Can you remind us how much ideally, how much cash you'd ideally like to keep on the balance sheet? And then secondly, any indication whether you'd be looking at the bonds market or maybe the loans market for re-fi? Thank you.

Jette Nygaard-Andersen: Thank you. And good morning to you. Rob, can I hand both of those questions to you?

Rob Wood: You may, of course. So firstly, to be super clear, the SuperSport acquisition is fully debt finance. So no impact on liquidity. I think the numbers you read out were
weren't quite right. And the confusion is probably the split between the 75% that we are accountable for and the 25% that EMMA Capital are accountable for. 600 is our share of the initial 800 million. And then we expect a further 120 to be due in spring next year, of which our share is 90. So hopefully that clears that up, but do feel free to send in questions afterwards.

Rob Wood: And then in terms of the questions around cash on balance sheet. Look, we have a number that we manage to internally, but clearly you'd expect it to be meaningful. And as we go through thinking about refinancing existing term loans, we'll have a look at liquidity projections as we go. In terms of how we will refinance term loans and indeed the 500 million of bonds which you mentioned, the bulk of which mature in just over a year's time, yes we'll be looking at both the bonds and the loans market I'm sure. And more to come on this over the next three to six months.

Jemma Permaloo: Understood. And thank you for clarifying. I've got it now. Thank you.

Rob Wood: Okay.

David Lloyd-Seed: Thanks, Jemma. And our next question comes from Joe Thomas. Morning, Joe.

Joe Thomas: Good morning, everybody. Hope you can hear me. Again, the usual three questions please. The first one is returning to the point on recreational customers, which you first started addressing seemingly a couple of hours ago. I was just wondering, now you're up to 90%, how we should think about how those recreational customers behave differently to the customer base that you had historically, I mean in terms of both sensitivity to the wider economy and exposure to result swings? So that would be one question.

Joe Thomas: Second thing. You talked about cost inflation in UK retail as well in your presentation, said don't double the H1 EBITDA because of that. I just wonder if there are any other signs of cost inflation elsewhere, developers et cetera, that are perhaps higher or lower than you might have expected?

Joe Thomas: And then the final one is returning to the point on the gambling act and ARC, and how they might interact. Could you foresee a situation where you might relax some of the ARC initiatives in time, if you are permitted to under the terms of whatever eventually does hopefully emerge from the gambling act? Thank you.

Jette Nygaard-Andersen: Thank you, Joe. I'll kick it off with the recreational and ARC, and then hand back to you, Rob, for the inflation question. So interestingly, the questions around recreational, we do a lot of work here. So we have a full team that is sitting all day
and analysing the behaviour of our different segmentations. And overall, I think the key thing here is this is a more entertainment-related segment. So they lend themselves to products in sports betting like in-play multis or accumulators. Which is a good thing because that typically implies a higher margin.

Jette Nygaard-Andersen: They're typically less price sensitive, so they are not price hunters. And they also adjust, sorry, they also react well to our different types of promotion activities and bonuses. And also free to play, which is all obviously a really effective funnel for us to acquire a customer from and cross sell to them.

Jette Nygaard-Andersen: So when it comes to whether they're more sensitive to any economic pressures, listen, I don't think so because the average bet size is around £10. So if you would have economic pressures, I think the first things to go are probably the more expensive things. So that's typically what we've seen when we've had some times of economic downturn, early on.

Jette Nygaard-Andersen: I think the key point here is that when we look at the situation we're in now, we are also coming up from a long COVID period where people were stuck inside. And we're in the middle of the summer and there's not so much sports going on. So it's just a little difficult to talk about how they are acting in the current economic situations. But overall, fundamentally, it's a strategic drive for us. It's typically higher-margin customers and it's much more healthy contribution to the NGR, which is why we are so focused on it.

Jette Nygaard-Andersen: And then to a related point around ARC and RG, because obviously that also sits closely to our focus on the recreational base here. And you ask whether we would consider relaxing some of the ARC initiatives if we were permitted to. So first and foremost, we are licensed operator. So we are in close dialogue with the GC and listen to them and in dialogue with them on what it is that they are suggesting. But the good thing around ARC is that it is a personalised approach, and that's the whole philosophy here. So we're not rolling out initiatives or restrictions or limits to customers that don't need them. And that's why we are so excited about ARC. And that's why we think it's superior. That ideally you are only targeting the very small percent of the customers that has a risk behaviour. And therefore you wouldn't need to relax some of the initiatives here. So right now we are rolling out according to our plans when it comes to the UK and also internationally, I hope that gives a little bit of flavour.

Joe Staff: Thank you.
Jette Nygaard-Andersen: Good.

Rob Wood: Shall I take the question on inflation.

Jette Nygaard-Andersen: Yes, please.

Rob Wood: So as you point out, retail clearly has some areas of challenge. Energy and wages would be the main ones. We've called that out for you already. Outside of retail, clearly the bulk of our cost is technology related. Now the good news is we're largely in house, as you know, so you have more control. You're not exposed to third parties in the same way, where we do have third party arrangements with things like data providers, streaming deals, and so on. They tend to be long term in nature, and very often linked to revenue share, and therefore have shielded from inflation from that perspective. The big costs where clearly there is an exposure is wages, our people. You mentioned developers and so on. And it is a highly competitive job market out there. So that's where I expect where we feel some pressure will be wage inflation, both retail and outside of retail.

David Lloyd-Seed: Thanks, Joe. And we have our last question. Last, not least, James Rowland Clarke. And James.

James Rowland Clarke: Hi, morning. Yeah. Thanks very much for taking my questions. My first is just on BetMGM. We've heard you and MGM talk a lot about the merits that you each bring to that JV. Clearly, the moment the market isn't really valuing the long term cash generation of BetMGM. And we've also heard MGM say there's more than one way to skin a cat, and they want greater ownership of BetMGM. So I just wondered how you plan to generate or realise tangible value from your US business in the near term. And then secondly, on Australia, you spoke a lot about the product improvements you've seen there. It's driving customer growth and structurally higher win margins.

James Rowland Clarke: With tax increases coming, which way do you plan to lean in terms of thinking of this as an opportunity to grow customers as peers pull back on marketing, or would you prefer to roll back the marketing to retain profitability? And then thirdly, just on BetMGM, the operating loss in the second quarter was 142 million. What was that in Q1, please? And then also just how are you thinking about that loss trending in Q3 and Q4, given I'm assuming EBITDA loss guidance is unchanged for the full year? Thank you.

Jette Nygaard-Andersen: Good morning, James. Let me kick it off with BetMGM and our partnership there. And maybe Rob, I can hand over to you around where we are on the losses. And
then also you could take the Australian question and the tax situation there. So when it comes to BetMGM, and we are still very early in the journey of what's going to happen in the states here. And there are some significant benefits of the joint venture that brings to BetMGM, not least the cost advantages and the structural margin advantages that we talked about. And therefore when we look at our strategy right now and what we are focused on, it is really around making sure that we make the most of that opportunity. We get into new states, we continue to advance our products. And then we've confirmed our target to become profitable next year.

Jette Nygaard-Andersen: And from there on, there are different opportunities of course, to also look at how we get value out of BetMGM going forward and into our books. But in general, we are aligned on our strategy here. And that's really what we are focused on here. And when it comes to how you skin the cat, I don't know, it's probably a question for, for Bill to clarify what he meant with that last week. So listen. The partnership is working really well, and we have our plan, and we're focusing on executing on that. Sorry, I'm not being more precise on that. Rob, to you on the losses and then Australia.

Rob Wood: Okay, thank you. Let me start with the losses. So if we look at H1 BetMGM's losses were $287 million. And if you think about the full year guidance that we gave previously and was reinforced by the BetMGM team in May, that implies another 150 or so give and take. And we're comfortable with that step down. Actually, Bill and Jonathan talked about it on their call. Remember that H1 includes four state launches and Ontario as well. In the second half of the year, it's somewhat different. And of course the revenue growth continues to be very strong. We're still posting 40-odd percent same state revenue growth through that business. So, we are comfortable that we will still hit guidance for the full year for BetMGM losses.

Rob Wood: And then in terms of Australia, Everything's about the customer. First and foremost, you think about it, everything that the team are doing over there, it's all about listening to customers and delivering what they want to drive the most engaging experience. Many examples of which Jette has already provided this morning. So we're not going to, in response to quality consumption tax going up, impact the customer experience. But will there be opportunity to look at marketing spend? Well, typically collectively in this kind of situation an industry will move together to adjust what it's willing to pay for customers, given that the unit economics have taken a hit.

Rob Wood: Therefore, CPAs go down, but as long as the market moves in unison, your share of voice doesn't go down. And therefore, we'll be keeping an eye on how the market progresses, but there will be opportunities in marketing for sure. And there's a
bunch of other stuff that we can do. For example, the way that you steer customers to certain products, what you promote through your various promotion mechanics or things like the next race, next betting opportunity carousel. You can direct people to the types of products and states which are the most efficient from our perspective. So there will still be mitigation that the team think we can mitigate, give or take half of the incremental cost, but critically doing it without impacting the customer.

James: Thank you. That's great. Sorry. Could I just follow up on Jette's answer? To just summarise your answer, you saying that you have to be, or you would aim to be profitable before you would look at value generating options for Entain and BetMGM?

Jette Nygaard-Andersen: So there's really no reason for us to look at other options at the moment, as we're both aligned on the strategy. And I think that... I know that MGM also confirmed that on the call. So it's really for us around executing on the opportunities that we have right now. And that is what we've confirmed are both on the top line side, and then becoming profitable next year. So we have our eye on our ball here. And then hopefully also advancing into new states. So never say never, but it's not on the agenda. We focus on executing on our plans.

James Rowland Clarke: Great. Thank you very much.

David Lloyd-Seed: All right, I'm afraid we'll have to end it there. Thank you very much everyone for your patience this morning and connecting. We'll have a joined up replay and transcript on the website as soon as we can, but I'll hand you back to Jette for some final comments.

Jette Nygaard-Andersen: Okay. Thank you. Thank you to all of you for your long time today. And again, many apologies for the technical issues. They will be fixed for Q3, but just to sum up our group performance, as you've heard this morning, continues to demonstrate that customers are choosing to play with us. And our customer focus, our diversification and proven ability to grow both organically and through M&A. See’s us really well positioned to deliver on our strategic opportunities, both for the rest of 2022 and beyond that. So with that, I would like to end the call today, but if you have any other questions, do get in touch with David and the IR team. Thank you for now, and goodbye.