Entain

2024 Q1 Trading Update

17th April 2024

Transcript

Stella David, Interim CEO
Thank you and good morning everyone and thank you all for dialling in. It's great to be speaking to you again for our Q1 update. I'm joined by Rob Wood, our CFO and Deputy CEO as well as the IR team.

Following our usual format, I'll kick off with a brief summary of the progress we've made during Q1, updating you on our operational performance as well as the actions we have taken and are taking to deliver our strategic priorities. Rob will then discuss our trading in greater detail, and we will open the call to Q&A.

However, just before we kick off with Q1, I want to comment on a couple of points that no doubt would have come up later. I am covering them up front so Q&A can focus on operational performance and strategic progress.

Firstly, I am delighted and indeed honoured to have been asked by the Board to succeed our Chairman, Barry Gibson, when he retires. As outlined in that announcement, I am continuing as the interim CEO and getting on with that will be my sole focus until such point that I hand over the baton to a permanent CEO.

And that brings me nicely on to point two. Our search for a new CEO is progressing well and we will update the market as appropriate, so there's nothing more to add at this stage.

And thirdly, the review that our Board's Capital Allocation Committee is undertaking. There is nothing more to add to our comments made on March the 7th. The review is underway, and it has no predetermined outcomes nor set timeline. And as I'm sure you will appreciate, we're not going to comment on any speculation, but we will provide updates if and when appropriate.

So with all that out of the way, let's get into our Q1 performance. It was in line with expectations, and I am particularly pleased with the progress we're making to improve operational Group performance.

These results are evidence of us focusing and executing on the things that I talked about at our financial year results in March. Focus on being a betting and gaming company, focus on operational excellence and focus on our must win markets.

So hitting the headline numbers for Q1, Group NGR was up 6% including our 50% share of BetMGM. Online NGR grew 9% and Retail NGR was flat, which on a pro forma basis saw Online come in at minus 2% and Retail at minus 5%.

Our headline growth numbers reflect strong performances across many of our markets including good growth within our recent acquisitions. However, it also reflects the ongoing impact of our implementation of regulation in some of our larger markets, namely the UK, the Netherlands and Germany.

We've highlighted the importance of Entain delivering brilliant basics across all our markets to improve customer retention and drive organic growth. This is particularly critical in our must-win markets of the UK, Brazil and the US. So let me touch on our progress on each of those.

The UK, as expected, it continues to be a market in flux for Entain. Online NGR was down 9% in Q1, primarily due to the complexity that has crept into our customers journeys as we implemented regulatory changes. We are working through how we can significantly improve the customer experience and at the same time working on a number of product and app improvements which will land progressively during this year. We're also looking forward to a levelling of a regulatory playing field across the UK market in the coming months.

Brazil, it's great to see further evidence that the actions we took are now starting to bear fruit. Following the improving trends in new customers and actives that we highlighted at the financial year results, we delivered positive NGR growth in Q1 in Brazil with the performance accelerating. We have launched an exciting new advertising campaign which supports the recent Sportingbet brand relaunch and while it is still early days, I am encouraged that our actions are making a difference for our customers.

Although Brazil remains a highly competitive market ahead of regulation, I am confident that we can achieve - what we can achieve when we are laser focused on our operational approach and execution.

In the US, BetMGM continues to perform in line with our expectations as we focus on building the momentum by our improving offering and product capabilities. With combined 14% market share, we maintain our position as the top three operator of sports betting and iGaming across the US and Ontario.

BetMGM's Q1 performance reflects our continued strength in iGaming, offset by customer-friendly sports margins impacting both online and retail sports books. And, aside from the Ultimate Match results, we were really pleased with our customer engagement during Super Bowl and March Madness, with strong growth in new players and actives. All key metrics for customer economics, player retention, and cohort maturity are tracking in line with plan and this should start to bear fruit in terms of NGR momentum later this year.

We are aligned with MGM that 2024 is a year of investment for BetMGM, investing in marketing and building momentum behind our improved player experience with more US tailored products and new game launches. For example, the tangible capabilities of Angstrom are just starting to reach players now and our differentiated Parlay and Parlay+ offerings are live for MLB and will follow shortly for NBA and later this year for NFL. We look forward to these and other product enhancements as well as Single Account Single Wallet in Nevada and are excited by the opportunities ahead.

But back now to operational excellence. As part of improving performance are the actions we are taking to simplify the business and increase agility and therefore I am pleased to report that Project Romer is on track. And is more than just a cost efficiency programme, it's about improving our ways of working, removing duplication, and driving more effective delivery.

So in summary from me, we have made an encouraging start to 2024 but there is still a lot of work for us to do. We therefore remain absolutely focused on taking actions to improve operational execution to deliver our strategic priorities which are, winning with BetMGM, organic growth, and margin improvement.

So on that note, I will pass on to Rob for more details on Q1 trading performance. Rob.

. . . .

Rob Wood, Chief Financial Officer and Deputy CEO
Thanks Stella and good morning everyone.

Before I kick off, just a quick note on our new segmentation. As we signposted at last month's full year results, the table in this morning's release shows Q1 results per our new structure of UK and Ireland, International, Entain CEE, and separately BetMGM. And as promised to help adapt your models, we've restated 2023's quarterly performance under this new approach, so please do refer to this on the results centre pages of our website.

Okay back to Q1s where I'll reference constant currency numbers throughout. As Stella mentioned in her highlights, we've started 2024 in line with our expectations. Reported Q1 Group NGR was up 6%, both including and excluding our half of BetMGM. On a pro forma basis, Q1 Group NGR was down 3%.

Our Online trading was in line with expectations, down 2% on a pro forma basis. Down 2% is consistent with both Q3 and Q4 last year once you adjust for the poor sports margins last year and for the extra day in Q1 this year due to the leap year.

Sports margin was neutral in Q1 this year across the Group as softness in Italy from football results was evened out by upsides elsewhere.

Standing back, excluding those markets which saw the softness we had anticipated, namely UK, Australia, Netherlands, and Germany, we delivered positive pro forma growth.

What is also encouraging is that even in those markets where we saw NGR decline, our actives were either flat or up year on year in each case.

Looking at UK Online in more detail now, an NGR was down 9%. So our regulatory implementation is causing an ongoing performance drag consistent with that of 2023. We are working to reduce the complexity our customers experience as well as driving product improvements across both brilliant basics and a pipeline of new sports product developments.

We are also looking forward to both the agreement between operators and our industry regulator which will start to see a levelling of the playing field on player protection as well as the new slots limits coming in in Q4.

In the meantime, we remain confident that the actions we are taking and the improving regulatory pathway will see us return to positive growth in the UK as we exit 2024.

International now and Online was down 1% on a pro forma basis in line with expectations. Italy NGR was down 7% reflecting a tough quarter for sports margins across the market. Importantly though, volumes in Italy were in growth across both sports and gaming.

Australia NGR was down 6% as expected given the well-trailed market softness and we are in the final stages of migrating New Zealand TAB onto the Australia platform. So, we are looking forward to capitalising on the exciting growth opportunity in the New Zealand market.

Brazil returned to almost double-digit year-on-year growth, demonstrating that the actions we have taken are now starting to come through at revenue level as well as player metrics. And Serie A, the local football league, has just kicked off delivering a record weekend for the business.

So, while it is early days in Brazil, we are encouraged by progress so far and we look forward to licensing later this year.

Other markets to call out under the International segment, Georgia, Belgium, Baltics, Austria, Spain, and Canada are all performing well and delivering growth.

Lastly, for Online, Entain CEE continues to perform strongly. NGR was up 11% with SuperSport in Croatia continuing to power ahead and STS in Poland also performing nicely.

Now, moving to Retail, where total NGR was flat year-on-year. Our largest part of Retail is UK and Ireland, where like-for-like growth was minus 5%. This largely reflects catch-up by competitors on gaming cabinet offerings. However, we will leapfrog ahead again with our next level Kascada cabinet rollout, which completes in Q3 this year.

International Retail NGR was down 8%, principally due to the customer-friendly football results in Italy. On the plus side, our Italy Retail business continued to take share in Q1.

Lastly, for Retail, CEE delivered strong pro forma NGR growth of 9% with both Croatia and Poland up year-on-year.

And finally, to BetMGM, which Stella has already covered, so I'll just mention a couple of points. Firstly, we continue to be pleased with BetMGM's performance in iGaming and adjusting for the drag from sports win margin in Q1, we estimate the Q1 NGR would have been up high single digits year-on-year.

Secondly, our growth pathway for 2024 remains firmly on track as we look to accelerate revenue growth as the year progresses.

Revenue growth will be underpinned by strong momentum in iGaming. For example, March was our best ever month and five of our last six weeks rank in the top seven iGaming weeks ever.

Revenue growth will also be helped by strong customer acquisition from increased marketing investment, with FTDs and actives already growing strongly in Q1.

And revenue growth will be driven by strategic initiatives this year, notably Angstrom-powered products, the Nevada Single Account Single Wallet unlock, and partnerships with X and Marriot Bonvoy.

Both parents and BetMGM management have been clear 2024 is an investment year for the business and we're excited by the opportunities ahead.

In summary from me, whilst we're busy improving operational performance as Stella discussed, we have also delivered stability in Online revenues as the last five or six months have performed almost exactly in line with expectations. And importantly, we continue to expect a return to pro forma Online revenue growth by the end of this year.

With that, I'll hand the call over to our operator who will open up the lines for Q&A.

. . . .

Questions and Answers
Thank you. If you would like to ask a question, please press *1 on the telephone keypad. If you would like to remove your question, please press *2. When preparing to ask your question, please ensure your phone is unmuted locally.

And our first question goes to Ed Young of Morgan Stanley. Ed, please go ahead, your line is open.

. . . .

Ed Young, Morgan Stanley
Thank you. I've got two questions, please. The first is on the cadence for the year. I think minus 2 is better than most people were expecting for Q1. You've talked to low single digit for the year. So are we in a place where we think the numbers are sort of conservative? Or are you expecting quite a sort of flat profile in terms of this level of performance through the year? Some sort of thought process around the cadence would be quite useful.

And then second of all, I wonder if you could just update us on the Netherlands. You called it out as a soft geography in the statement. It also looks like the negative measures you've flagged for the full years have maybe been pushed out a bit. It might be helpful if you could give your view on that market through this year and into next year. And also noting the House of Representatives voted for a ban on advertising and slot games yesterday. So any view on whether you think those are likely to be implemented? Thanks.

. . . .

Stella David, Interim CEO
Thanks for the questions. I think what we'll do is, Rob, if you ask answer question one and I'll do question two.

. . . .

Rob Wood, Chief Financial Officer and Deputy CEO
Yeah, absolutely. So let me start. Cadence for the year, profile for the year. So I think the answer is it's not about conservatism. The profile is perhaps flatter than people expected. If I think through the moving parts, the starting point is last year minus 6 in both Q3 and Q4 did suffer from poor football margins, as we called out. So the underlying was more like minus 3. Now we're minus 2, albeit benefiting from a leap year. So arguably still minus 3. So a flatter profile.

When you think about the moving parts, we do expect an acceleration in a couple of our markets, in particular Brazil and also New Zealand. I mentioned that we are close to migrating the TAB New Zealand business onto our Australia platform and we do expect to see strong growth in New Zealand off the back of that. Remarkably, New Zealand revenue is already larger than Germany for context. So it's a market that we're excited by. So that will accelerate. Plus in H2, of course, we're lapping those softer margins. So there are reasons for acceleration.

But going the other way, Netherlands, we do expect to see some regulatory tightening and I'll pass that over to Stella in a moment. So that partially offsets the acceleration.

And the big story though, from a phasing perspective is the UK. And we continue to believe that it's only really the end of the year where we start to see a return to growth in the UK. And perhaps that's why the profile is a little flatter than some might expect as well.

So all in all, some progression as we progress from Q1 into Q2, Q3, but really Q4 when we expect to see a robust return to growth led by the UK.

. . . .

Stella David, Interim CEO
Thanks Rob. To the Netherlands, clearly the Netherlands is a challenging market, which is why we gave the update we did on the 7th of March. And I think what happened overnight with the House of Representatives just proves out that point that there is a lot of volatility in the Netherlands. And how it all pans out is somewhat in flux. But we do continue to believe very strongly that we do have those very significant headwinds. And what happened overnight just emphasises that.

So I think it's something that we watch. I mean I think we feel that very strongly we have covered the Netherlands risk well, so we don't feel exposed there, but nor do we feel confident of it being significantly better than we've already said.

. . . .

Rob Wood, Chief Financial Officer and Deputy CEO
And I'll perhaps just add to that by saying through the measures that we introduced last year, self-imposed measures, we're already at the more restrict end of the market. So we have a more recreational player base. You know we can see that our spend per head is materially lower than the market, for example. So therefore, we have some insulation from that perspective. But otherwise, the guidance remains.

. . . .

Ed Young, Morgan Stanley
Okay, thank you.

. . . .

Telephone Operator
Thank you. The next question goes to Monique Pollard of Citi. Monique, please go ahead. Your line is open.

. . . .

Monique Pollard, Citi
Hi, good morning Stella, morning Rob. Just a couple of questions for me. The first one is just on BetMGM. I'm just interested in more colour on the cadence of growth, because obviously you're talking about the acceleration of growth through the year. And I guess I'm just thinking about it from the perspective of presumably that needs to come with a significant ramp in promotions, which could then be quite painful on the NGR growth rate. So just whatever confidence you can

give us in that acceleration, whether it's some stats on the latest expansion of the win margin, for instance, in the 1Q or anything, would be helpful there.

And then secondly, obviously, Retail, you've seen some underperformance getting sequentially worse on a pro forma basis versus the fourth quarter. And you've talked about you know the rollout of cabinets and that you will be rolling out some cabinets in the third quarter. So just trying to understand a bit more sort of what the improvement you could expect to see from that kind of new cabinet rollout in the third quarter. Thank you.

. . . .

Stella David, Interim CEO
Okay. Thank you, Monique. Maybe Rob and I will answer these questions in partnership here. So on BetMGM on the cadence of growth, clearly, I think one of the things that we're very excited about is our relative competitiveness that we're building into BetMGM versus the prior year.

So we have the benefit of Angstrom, which brings us more markets to the customers. And hopefully some of those markets will start to bite really nicely. Now we're actually going live with MLB, and we feel that going forward, those higher levels of competitiveness give us confidence in the customer journeys.

We also have the benefit coming forward of Nevada, which we're going to be getting Single Account, Single Wallet in Nevada, which in terms of an end-to-end customer journey is a real competitive advantage. Nobody else can do what we are going to be able to do in Nevada. And that means that we've got the opportunity with the great brand of MGM to be able to really, really do a customer journey that is very, very exciting and differentiated.

And there's a lot of other things that we feel are coming forward, which are again, improvement in the customer experience on the app, as well as increased investment in the customer. And as we said on the call, we have agreement fully aligned with MGM and BetMGM that it's a year of investment. So there is more marketing going in to capitalise in on the improved player experience and improved products.

But maybe Rob, you may want to add a little bit more colour to that?

. . . .

Rob Wood, Chief Financial Officer and Deputy CEO
I think that's a great answer. It’s worth emphasising as you think about the marketing investment, clearly the benefit of that investment builds as the year progresses and in particular benefits 2025.

The other thing I'd perhaps mention, the X partnership, exclusive partnership, which allows us to publish our live odds and integrations with their 55 million daily users.

And the Marriot partnership as well to support the Nevada comments that Stella was making 190 million members that we now have access to that we didn't have previously. So all exciting opportunities for us.

. . . .

Stella David, Interim CEO
Great. And now I'll come on to Retail, but I think we'll do it in a sort of two-way answer here. So first of all, we'll talk a little bit about Retail in the UK, but in the context of the UK, we now have an omnichannel approach. So we have one leader who looks after the UK. He's been doing that for a few months now. And we have an opportunity to leverage in a great way, the customers using the fantastic platform we have of 2,500 shops in Retail, leveraging them into our Online businesses. We also have the ability to advertise in our stores in a way that nobody else can. And so we are starting to see the opportunities for unlock between Retail and Online that weren't there before.

We also have coming in at the end of the year, I think we mentioned before, the new move to the online slot limits, which actually, interestingly enough, is a Retail opportunity as well. We have a great slots business. I think we're the best in the industry in terms of the offerings we give. We can advertise now in our Retail stores, some of our great opportunities to play online.

So we want to take that approach. So we turn it into the UK. So I do want to put that context in place because Retail has often appeared to stand alone, and it shouldn't stand alone.

But we talk about specifics for some of the Retail actual performance metrics and things like the new cabinets. Maybe Rob, you could add some colour to that.

. . . .

Rob Wood, Chief Financial Officer and Deputy CEO
Yeah, let me do that. So it does take a little bit of explaining. So first thing to say, UK Retail is exactly in line with our own expectations. We had expected a softer first half of this year led by gaming. The reason for that is where we are in the cycle of rollouts of new cabinets across the country.

Just for context here, roughly every five years, operators will refresh their gaming cabinets. And the cabinet really does make a difference to the customer experience. The cycle that we have is our three competitors on the high street all partner with one particular supplier. We partner exclusively with Si Games (?).

The cycle works such that once competitors roll out new cabinets once every five years, we then go the following year with the latest and greatest. And that's exactly the transitional period that we're in right now. So our competitors all rolled out what's called Vantage cabinets. I think Paddy Power and Fred are done; William Hill nearly done. And we then roll out the next generation cabinets, which are called Kascadas. And we expect to be rolled out by Q3 this year.

So therefore, with our own plans, we expected softer gaming numbers in the first half of the year with a recovery with competitive advantage being restored from Q4 and for the next four years ahead. And this strategy is fundamentally why we have a big premium on gross win per terminal per shop across gaming. So by the end of the year, we expect to see the recovery in gaming. And that's really the story for the first half.

In the meantime, we continue to invest significantly in digital. How we win is by investing in the digitalisation of the estate. So not just the gaming cabinets, but also gaming content, having exclusive and leading content, investment into the SSPTs, the racing terminals, the gantries, simply by leveraging our scale, investing the most also into the shop fabric. These are the ways to win in Retail, and we continue to do that.

. . . .

Monique Pollard, Citi
Excellent, thank you. The one follow up I had was just back on BetMGM. Is there any colour you're able to provide on sort of win margin progression?

. . . .

Rob Wood, Chief Financial Officer and Deputy CEO
So I can add that, for example, baseball, Stella mentioned, this is the first time with the new season launch that we have fully Angstromised products, as we say internally. And that means an improved parlay offering. And we are already seeing a step change and participation in parlay products and in-play products as well. And as a consequence of the parlay mix increasing, mathematically, logically, therefore, win margins increase as well.

So it's early days in terms of seeing the benefit of Angstrom Markets, but we can already see progress in baseball and therefore with NBA being added to Angstrom Markets. But more importantly, NFL launch in September, we would logically expect the win margin to progress through the year.

. . . .

Monique Pollard, Citi
Perfect. Thank you very much.

. . . .

Telephone Operator
Thank you. The next question goes to James Rowland Clark of Barclays. James, please go ahead. Your line is open.

. . . .

James Rowland Clark, Barclays
Hi there. Thanks for taking my questions. The first question is a bit linked to that last one. For each division, you've disclosed gaming NGR, sports NGR, wagering and margins, but you haven't done that for BetMGM. Is that something we can expect to see in the future? Because I think that would be very helpful.

My next question on BetMGM is just, you've called out the strength of the business over Super Bowl and March Madness. So is there any colour you can provide on actives growth, a bit more detailed colour, I suppose, on actives growth and retention, or monthly retention? That'd be helpful.

And my final question is, if you look at the divisional performance and you compare gaming NGR to wagering, because I suppose that's more underlying, there's a clear outperformance of gaming there across your divisions. Is that really just a reflection of the geographic drags within Online that you've already called out and perhaps underinvestment in the sports betting side? Or is there anything else, any further colour that could explain that? Thank you.

. . . .

Stella David, Interim CEO
Thank you, James. So clearly, the first couple of questions are really about the detail that we're giving on BetMGM. And actually, the intention is to not increase the level of detail there. Obviously, it is an organisation that is run as a joint venture and the more detailed update will come at the right point in the cycle from BetMGM.

In terms of some sort of like - basically, the question on gaming versus wagering, there is no doubt that we have a great deal of strength in gaming. And we do have some catch up to do in sports, in the sportsbook area. And we are improving product going forward. We recognise that as an opportunity.

I'm just going to hand over to Rob just to give you a little bit more colour on that.

. . . .

Rob Wood, Chief Financial Officer and Deputy CEO
Yeah, I mean, firstly, big picture, that's the fundamental point. You know, we heard from Satty at our full year results in March, that there have been some gaps opening up in sports products, particularly as we concentrated on the US in the year or two prior. And we're addressing those and certainly in the UK by the launch of the new football season in August, we'll have seen significant catch up.

That all said, the gap between gaming and sports performance was particularly wide last year. If I remember correctly, on a pro forma basis, gaming was actually up a couple of percent, whereas sports was minus 9. So there was an 11 point delta. That delta is reduced to four in Q1. But I would expect some delta to persist until we start to see the benefits of all the work that Satty and his team are doing on the sports products, which you heard a lot about in March.

. . . .

Stella David, Interim CEO
Should we go on to the next question?

. . . .

Telephone Operator
Thank you. The next question goes to Alastair Johnson of BNP Paribas. Alastair, please go ahead, your line is open.

. . . .

Alistair Johnson, BNP Paribas
Thanks, guys. Morning, everyone. Firstly, on BetMGM, Rob, you mentioned particularly strong iGaming results recently. So I was just wondering, firstly, do you think you're taking share in iGaming again? And secondly, kind of what's driving it. Obviously, you've talked a lot about the benefits of Angstrom and the investment there. And I was wondering if there was sort of similar investment going on in the iGaming product that we haven't sort of talked about before.

And then secondly, on BetMGM's market share, I appreciate the 14% number you gave this morning is to the end of January. And then you said, you know, NGL has grown 2% through Q1, when I think the market leader is growing from over 50%. So is it fair to assume that your market share has kind of shrunk a little bit through Q1? And have you got a view on kind of where that is? And if it hasn't, is it that actually there's a bit of a delta between your kind of gross revenue number, which I think the market share is based on, and your net revenue number? And kind of should we expect that to be the rest of the year? Thank you.

. . . .

Stella David, Interim CEO
Do you want to take that to begin with? And I'll actually make a few comments afterwards. Yeah.

. . . .

Rob Wood, Chief Financial Officer and Deputy CEO
Yeah, let me share my views on BetMGM to those questions. So you're right, we are pleased with our own numbers. We're on our own plan for iGaming. To repeat the comments earlier, March was the best ever month for iGaming for BetMGM. And five of the last six weeks were in the top seven all-time best iGaming weeks for the business. So we're pleased with our own momentum.

Absolutely, there are some competitors posting strong growth numbers as well. So long as we remain on track with our own plan, then we remain on track with the 500m EBITDA target in 2026.

And it's also fair to say, yes, of course, we talk about Angstrom a lot. We talk about sports developments a lot. But there is a ton of activity in pushing forward our gaming product as well, whether that's content led. You might have heard us talk about omnichannel jackpots coming hopefully later this year into 2025, which will be a USP for us. Nevada unlock, of course, is particularly important from a gaming perspective. And the marketing investment is not all into sports-led marketing. There's gaming-led marketing as well, obviously, in the States where gaming is live. So tremendous focus on iGaming.

In terms of market share, then I'll hand over to you, Stella. I think it is absolutely fair to say the 14% will continue to see pressure in the first half of the year. We would like to think that by the time we get through to the end of this year and we're benefiting from all these things we've discussed, Angstrom, NFL launch, for example, Nevada, for example, that we're seeing a stabilisation of market share and hopefully some positive trajectory by the end of the year. In the meantime, our focus is delivery on our own plan, and that shows that we're on track year to date.

. . . .

Stella David, Interim CEO
And the only thing I would add to that is, you know, I'm a great fan of inputs equal outputs, and there's been a lot of focus on getting the inputs right and making sure that we have that momentum going in our favour, going into the second part of 2024.

And these things that we've changed, and Angstrom obviously being a big one of them, the momentum that you get behind that starts very small, and we've only just started with the baseball. And therefore going forward, the challenge, the opportunity is to actually build momentum into different areas, like Rob has already said there. But I would be a lot more unhappy if we didn't have the right inputs.

I do think we have the right inputs, and it's continuing to build on those. And as the market has grown at such a rate, the opportunity for us is to catch up in those growth rates.

If there's nothing more from Alistair, we'll move to the next question. Yeah, thank you.

. . . .

Telephone Operator
The next question goes to Kiranjot Grewal, of Bank of America. Kiranjot, please go ahead, your line is open.

. . . .

Kiranjot Grewal, Bank of America
Hey guys, can I ask a broader question on the different online brands and how they're integrated into the Entain technology stack? So which countries or brands are integrated into the tech stack, and perhaps which ones are separate?

And then on BetMGM, I know we're anticipating Nevada to be fully integrated soon. How do you think that will play into that BetMGM growth once it is integrated fully? Thank you.

. . . .

Stella David, Interim CEO
Hi, Kiran. So, first of all, we do have certain markets, you know, the majority of our markets are on the core Entain platform, but we have numerous markets which are not on the core Entain platform. So, you know, for example, SuperSport and STS are on a platform which is based out of Central and Eastern Europe. We have different brands that are based on the Australian and New Zealand app. And we also have different brands which are based on, for example, our Enlabs app, which is based in the Nordics.

So there are multiple, we have many, many brands, and I wouldn't be able to go through them in detail here. But I think the thing is, we have opportunities going forward on our main Entain platform, which we talked a lot about at the last meeting in March, is to make sure that we are getting ourselves more competitive with the offerings that we give across those range of brands.

And we have a range of brands because it serves different customer needs, people like the opportunity to win across a range of different brands. But it might be useful if we take it offline and we could give you the full list of the brands that we do on the different platforms, because it would take me far too long to go through the list there.

And maybe we go on to the second question, which was about Nevada, I think it was, in terms of the opportunity for acceleration there. I think it was the question, wasn't it? Yes. I mean, certainly we are in a unique position in Nevada that we've got the relationship with MGM. MGM, I think, controls something around 50% of the strip. They have 13 million customer nights per year in their resorts.

The opportunity as we get our products and our app sorted is very fundamental that nobody else can replicate. And the idea that we have these seamless journeys where the customer goes to Nevada, they play, they use our app, they go back to wherever they live. We generate a loyalty programme with them, whether it's using tools like X or the Marriot programme. That is just starting to get underway. And we see that as something that is very, very much in our favour. And as I say, almost impossible for anybody else to replicate. Any other comments, Rob?

. . . .

Rob Wood, Chief Financial Officer and Deputy CEO
Maybe just a couple of builds on each. On the first one, I just remind that all those territories that are on different tech stacks, it's all in-house. They're all performing well. They all have strong tech stacks. The only exception is the recent acquisition in the Netherlands, which is on third-party technology, but everything else is in-house technology.

And on Nevada, absolutely too early to put numbers on what the benefit might be. But one additional point is a reminder that just before the Super Bowl, we went live in the state of Nevada on the main BetMGM – the main BetMGM app, and we're now accredited to have the best app live in Nevada. So that's important for starting those journeys as well, to have the best app in the marketplace.

. . . .

Kiranjot Grewal, Bank of America
Perfect. Thank you.

. . . .

Telephone Operator
Thank you. The next question goes to Ben Shelley of UBS. Ben, please go ahead. Your line is open.

. . . .

Ben Shelley, UBS
Good morning, everyone. Two questions from me, if I may. Firstly, I'd like to ask one about Angstrom outside of the US. Could you talk a bit about how integration and execution is progressing here? Are there any particular geographies you are focusing on, and are there any early data points that are giving you a bit of confidence in how Angstrom can be a real force of product strength here?

My second question is slightly stickier. Building on your comments regarding a slightly flatter cadence in growth trends through the year than we might have anticipated, what's your feel for the exit rate in Q4? I think consensus for the Online division into 2025 is 5.5% growth. It might be a bit too early to ask this, but do we think momentum through 2024 can be supportive of mid-single-digit growth in 2025? Thank you.

. . . .

Stella David, Interim CEO
Thank you, Ben. Let me take the first question, Angstrom. Look, I'm really excited about Angstrom. It's such an opportunity for generating competitive advantage, not only in the US, but in other markets. But we're going to ramp it up in the right way.

So we haven't fully ramped it up in the US yet. We've just really started with MLB, and we've got some really nice early indicators about parlays and just the kind of consumer - customer experience. But we're going to ramp that up in a sequential manner in the US so that we get to coming out at the end of 2024 really in you know a very, very good place, I think.

In terms of going forward into other markets, there is clearly an opportunity there, but we are not going to try and run before we can walk. A key part of what we're trying to do is operational excellence. And part of that journey sometimes is to do things sequentially rather than all at once. But if you think about it, the opportunity, say, for football in Europe, there must be some great opportunities there.

So we are not sitting here saying, oh, we'll do it in the future for the wrong reason. We're actually timing it so that we do it right, and then we actually get those opportunities start to manifest themselves, hopefully in 2025.

So moving on to the second question, I'm going to throw that one at Rob, if I may.

. . . .

Rob Wood, Chief Financial Officer and Deputy CEO
Yeah, I'll take that. I might just add one point on Angstrom as well, which is more from a people perspective. It's been fantastic to see the leadership of Angstrom have embedded themselves fully in the leadership team of Entain's global product team. And the ideas and creativity that's coming from that team is fantastic. And we are going to see the benefits of that across European markets in the second half of the year through football, but much more on that later.

In terms of the shape of the curve for this year, I'm not uncomfortable with that Q4 number that you mentioned. Our guidance is that we should exit 2024 with growth in line with market. And therefore, I think that Q4 number would support that. Slight difference between Q4 and exit rate, but nonetheless, Q4 does benefit from lapping against those awful football margins in October. So putting it all together, I'm not uncomfortable with that Q4 number.

. . . .

Ben Shelley, UBS
Thanks very much, team.

. . . .

Stella David, Interim CEO
Thank you.

. . . .

Telephone Operator
Thank you. The next question goes to Jack Cummings of Berenberg. Jack, please go ahead. Your line is open.

. . . .

Jack Cummings, Berenberg
Thanks for taking the questions two, if I could. First, you flagged Croatia performing particularly strong in CEE. On Poland, I think it was growing in Q3, but saw a weaker margin in Q4. How is growth in that market trending in Q1? And potentially a second part to that, is there any update on potential online casino liberalisation?

And then the second one, again, to the kind of platform point, I think the interim last year, you highlighted 35% of the business, of the Online business, wasn't on Entain's tech platform and was on other in-house technology platforms. And there was potentially scope to move that over to the Entain tech platform over time. Has any progress been made on that, or is there anything further you can add? Thanks.

. . . .

Stella David, Interim CEO
Thanks very much, Jack. We'll, again, answer these as a double act. First of all, just talking about Croatia and STS. First of all, that region now is under one leader. So, we have a CEO for CEE, which I think is a really good move forward. The person who ran Croatia before now runs the entire region.

We're very happy with the progression that's been made with SuperSport, double-digit growth and really, really going well. I'll let Rob talk a little bit more about specific details in terms of performance in STS.

And before you go on to the details on STS numbers, you asked about casino liberalisation in Poland. It's certainly coming. We are predicting it in 2026. It might be a little bit earlier, but as an upside opportunity, if you look to 2026, as a leading operator - the leading operator in Poland, our market share would be very significant. I mean, it would be potentially a doubling of EBITDA in Poland if it goes really well. So, we see that as a great, a great opportunity that we're planning for in our future strategic plan.

You also asked a question about 35% or so of online not being on the core Entain platform. I think that number is about right. And there are no plans at the moment to move the other businesses from their platforms onto the core platform. And the reason being that they're running off very good platforms that are in-house anyway. So, these are not businesses that are running on third party and are inferior. In fact, they run extremely well. They've got great localisation in place.

So, the direction of travel in the short term on the core Entain platform is making sure that it is operating as well as it can, generating, you know, the benefits of scale, but also localisation for the key markets such as BetMGM, the UK and Brazil. So, that's more of the focus in the short term.

But if I hand over just for a few more of the numbers to Rob.

. . . .

Rob Wood, Chief Financial Officer and Deputy CEO
Yeah, let me build a little bit more on each of Croatia and Poland's. Croatia numbers are fantastic, strong double-digit growth continuing both gaming and sport. Gaming's the stronger at the moment. Remember, casino liberalised in Croatia about five, six years ago, so there's still outsized growth coming through.

But even on the sport side, partly through product development, we're seeing strong growth too. For example, just before Christmas, cash-out was a new feature that was permitted by regulation, whereas most operators took a couple of weeks to get live, our SuperSport team were live with their cash-out product that same afternoon, and it was the most extensive product, meaning the most markets that you can cash out from. And as I look at numbers in Q4, we see that 30% of customers are engaging with that cash-out product. So, a great driver of fresh new player acquisition, but also retention, which is obviously as important as market leader. So, strong growth in both the sports and gaming side in Croatia.

Poland also in growth in Q1, fierce competition in Poland at the moment, it's fair to say, particularly in anticipation of casino liberalisation, which you just heard from Stella. So, a bit of jostling for positioning ahead of that benefit, which hopefully is coming in the next couple of years. So, stronger competition, I would say, in Poland, but nonetheless, still in growth and delighted, sorry for any Welsh people, but delighted to see Poland win their penalty shootout playoff against Wales and qualify for the Euros in the summer, remembering that in Poland, there's no iGaming yet. So, it's very sports heavy, sorry, Poland, yeah, and Croatia there as well, but heavy football market. So, pleased to see Poland qualify for the tournament in the summer.

. . . .

Jack Cummings, Berenberg
Great, thanks.

. . . .

Telephone Operator
Thank you. If you would like to ask a question or any follow-up, please press *1 on your telephone keypad.

And the next question goes to Simon Davies of Deutsche Bank. Simon, please go ahead, your line is open.

. . . .

Simon Davies, Deutsche Bank
Yeah, morning. Three quick ones from me, please. Firstly, on Italy, we've had two consecutive weak quarters of gross win margin. Is there anything structural going on here in terms of the competitive environment or anything else? Or is it just a case of unlucky Italian football results and you'd expect them to normalise over time?

Secondly, we're starting to see noise in the US of potential increases in gaming taxes. Can you talk us through your expectations there? I think in particular, Illinois, there's some suggestion that it's in the budget update that there's going to be an expansion in the tax rate there.

And lastly, just on US market share for BetMGM can you provide us with the sort of indications of where it sits on the percentage of NGR basis rather than GGR? And is that a stable number? Or is it declining in NGR terms as well? Thanks.

. . . .

Stella David, Interim CEO
Thank you, Simon. First of all, I'll take question one. Basically it's quite an easy answer. We don't see this as structural. We see this as really customer friendly results. And I think that is validated by what we're seeing across the marketplace. So we have no real concerns there.

The second one, I think, is your question about noise in the USA. I mean, clearly, there is noise in the USA. Where that lands is somewhat of a mystery at the moment. We are still we are looking at it and keeping a close eye on it. But we don't have anything specific that we have to say on that. It's really watch this space and keep ahead of the curve.

And then I think the third one on NGR, I'm going to hand it over to Rob, because I think you might have some details that I don't have.

. . . .

Rob Wood, Chief Financial Officer and Deputy CEO
Yeah. And let me just touch quickly on Italy. Just remember that it's a heavier football mix than most, and therefore there is more exposure to margin volatility. Obviously, football multiples business is the most volatile product in the suite. And in particular, that's true of Retail. So Online, we have gaming in Retail we don't, Retail in Italy as 80% football. So exactly as Stella said, it's natural volatility, nothing we're concerned by.

And on tax - the potential for tax increases in the US, of course, we would always run the arguments that states need to be very wary of driving traffic to the black market. Obviously, it creates a material advantage for unlicensed operators.

But bigger picture, when we think about our long-term guidance for BetMGM and the over 30% margin, there is headroom in there for cost of sales, one way or another, being higher than they are today.

Lastly, market shares in the US, NGR versus GGR. It is, of course, hard, if not impossible, to have an absolute view on your share of NGR, because operators might blend North America with US, for example.

However, from a trend perspective, you do get quite a different picture when you look at 2023. Our share of NGR from a trend perspective did see some loss in 2023, around a point or so greater loss when you look at GGR and principally driven by bonus optimisation. Clearly, in Q1, we would expect to see our NGR market share slip based on the strong numbers from a couple of competitors that we've seen so far.

. . . .

Stella David, Interim CEO
Great. Thank you so much for that, Simon. I think it's time that we're going to wrap this up. So therefore, I just want to say a couple of things in closing on this call.

First of all, thank you all very much for listening today. We do appreciate it.

We do have a plan, and we are taking action, and we are just starting to see some of the results of those efforts. And we all know that turnarounds do not happen overnight, but I'm very confident that our continued focus on operational excellence will deliver increasing value for shareholders.

So finally, thanks very much again. If you do have any other questions, do get in touch with David and the IR team. Meanwhile, thank you and goodbye.

. . . .

END