

# BetMGM

## Investor Day 2022

### 12<sup>th</sup> May 2022

### Transcript

#### Disclaimer

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## PRESENTATION

Operator:

Good day, everyone, and welcome to today's BetMGM Investor Day Conference Call. Today's call is being recorded. And now at this time, I'd like to turn the call over to Adam Greenblatt, Chief Executive Officer. Please go ahead, sir.

Slide 1



Adam Greenblatt:

Good morning and good afternoon. I know we have listeners all over the world. Thank you for being with us today. I'm delighted to be here to share the tremendous progress BetMGM has made since the last time we got together in this format about a year ago.

Today, I will update you on BetMGM's progress against our key goals; the size of our total addressable market, or TAM, where there has been some movement; how we are fortifying our TAM through leadership in responsible gambling; our continued geographic expansion; our leading market share; as well as the key drivers underpinning our growth and path to profitability.

You will also hear from key members of my leadership team who will dive deeper into their respective areas. First up will be our Chief Revenue Officer, Matt Prevost. Jarrod Schwarz, our Chief Product Officer, will follow. Chief Financial Officer, Gary Deutsch, will then dive deeper into our financials before handing back to me for a brief wrap-up and Q&A.

## Slide 4

**Overview of Performance and Targets**  
**Strong performance to date and on track to achieve our objectives**

**Delivering against our strategy**

- Financial Performance: ~\$850M of net revenue in 2021
- Live Markets: 23 across the U.S. and Canada
- Market Share: 25% active market share in February 2022 with 29% active market share in iGaming<sup>1</sup>

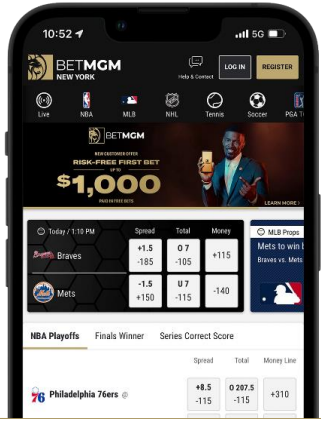
**On track to achieve our objectives**

- 2022 Net Revenue: \$1.3B+<sup>2</sup>
- Expected long-term U.S. market share: 20-25%
- Expected long-term EBITDA margin: 30-35%

**TAM**

**Large and growing market**

- Expected to reach \$37B of GGR



1 Active market share by GGR for retail, D2B and iGaming including only U.S. markets where BetMGM was active; internal estimates used where operator-specific results are unavailable  
2 Net revenue is based on how management analyzes the true economic performance of the business, which is not prepared in accordance with GAAP. Refer to page 2 for additional detail.

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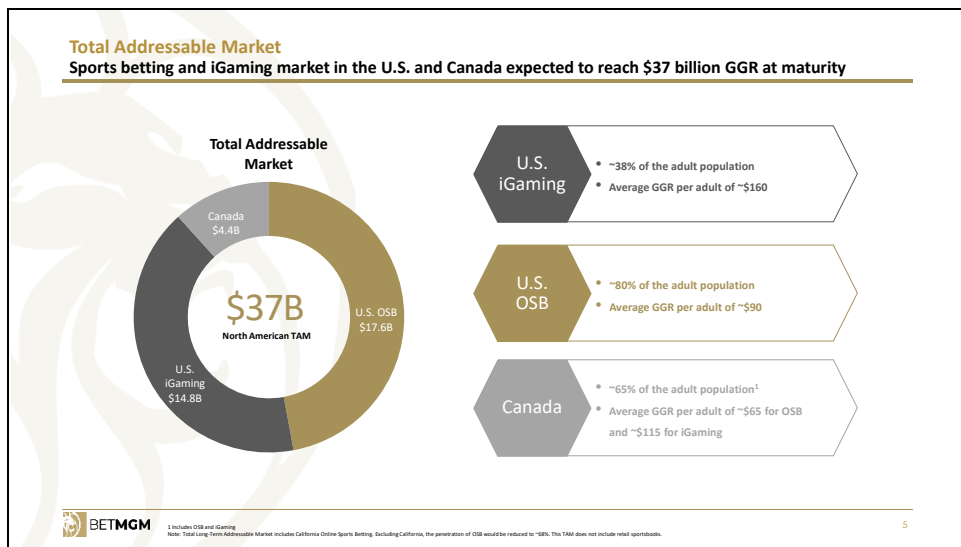
Adam Greenblatt:

Despite more recent turbulence and headwinds in sector equities, the online sports betting and iGaming market is extremely healthy. It's already large at more than \$8 billion of GGR in the last 12 months and growing quickly. As I will discuss shortly, our TAM estimate has been updated to reflect positive changes in the legislative outlook.

Now to dive deeper into the performance of BetMGM. I couldn't be more pleased with the exceptionally strong results the team has delivered over the last year, meeting or exceeding each of the goals we set out. We grew net revenues fivefold to reach \$850 million in 2021. Around this time last year, we said that we'd expect to be live in 20 markets within 12 months. Today, we were live in 23. From a market share perspective, in February this year, we reached 25% overall share in the markets in which we operate, which, by our estimates, is the market-leading position across sports betting and iGaming. Our iGaming business continues to lead the nation in market share at 29% in the 3 months to February in our active markets.

As we look to the future, our plan is working even better than expected. We are on track to achieve our near and long-term objectives, which include over \$1.3 billion of net revenue in 2022, expected long-term U.S. market share of 20% to 25% and expected long-term EBITDA margin of over 30%. Gary clearly set out our model to achieve this at our event last year and he will update you on progress later.

## Slide 5



Adam Greenblatt:

Our overall view of TAM has been upgraded versus our previous statements. At over \$37 billion now, the size of the prize for long-term winners is immense. But as ever in our industry, the detail is more nuanced and is relevant.

We look at TAM for U.S. OSB, U.S. iGaming and Canada as 3 distinct buckets. It's worth noting that Canada could be split further into sports betting and iGaming given its multiproduct framework. Dealing with the 3 buckets and their key assumptions, starting with U.S. iGaming. The good news is that player values are proving to be strong with a clear trajectory to our spend per head assumption of \$160 per capita. What's particularly encouraging is that the strength is being observed in both newer and more mature states. The macro regulatory outlook has developed largely in line with our expectations, with some states like Illinois, Indiana and even New York starting down the path to introduce iGaming. So, while we do not expect any new iGaming states this year, these early moves are important directional signals. And we therefore now include an additional net 3% of addressable adult population in our long-term TAM, bringing us to 38%. For clarity, we do not include California or Florida but do include New York, and importantly for BetMGM, most states in which MGM has a physical property.

In online sports betting, spend per head growth continues across the board. And performance of some star newer states like Arizona reinforce our long-term expectation of \$90 per adult. Our view is that as an industry, we have captured a good proportion but certainly not all of the U.S.-based sports bettors who were active before PASPA fell. One only needs to review search and traffic volumes for sites still serving the U.S. from offshore to build a fact base supporting this.

This leakage to the black market should erode over time, aided by product superiority onshore, continued marketing by legal operators and the introduction by our regulators of measures to combat illegal unlicensed activity. Further, while the growth in player

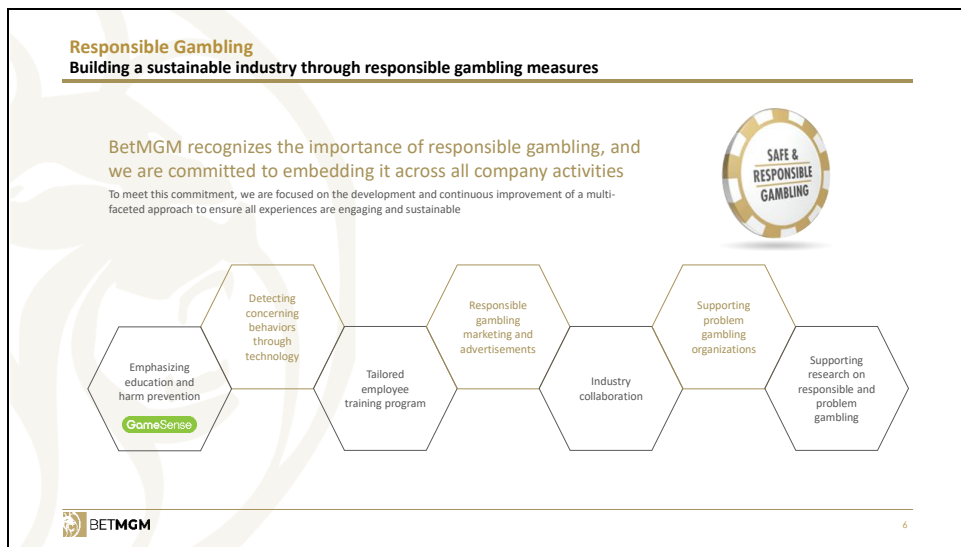
participation has been impressive and steep, U.S. penetration in active states still lags more mature international markets very significantly.

The message here is this, that sports betting penetration has a long way to go to become the mainstream leisure pursuit that we expect, which means that, excitingly, we have a tremendous runway for future growth. So even with no change in behaviour or value of current bettors and iGamers, this increased penetration will continue to drive up average spend per head because by definition, total spend increases as more people participate. But the denominator, which is the adult population in active states, remains static.

On the regulatory side, the trend continues to be positive and new state legislation is outpacing our earlier expectation. The big new addition to our TAM estimate is California. We are encouraged that our industry's ballot initiative has now qualified to be voted on later this year, and current polling looks favourable with over 58% of Californians in support of our proposition.

Continuing the positive theme, fears of New York tax contagion are being eased by the recent tax frameworks introduced in Ohio and Kansas. As an aside, it will become clear over time that these more sustainable tax environments result in greater player participation in the regulated as opposed to illegal market. This is in all of our interests. We have not changed our TAM estimate in Canada given no new reliable market information is available. We continue to forecast spend per adult at a discount to U.S. levels until we know more. I should say, however, that our early results are very encouraging. Response to the launch of our BetMGM brand has been quite remarkable particularly since the market was fully formed before we launched there.

## Slide 6



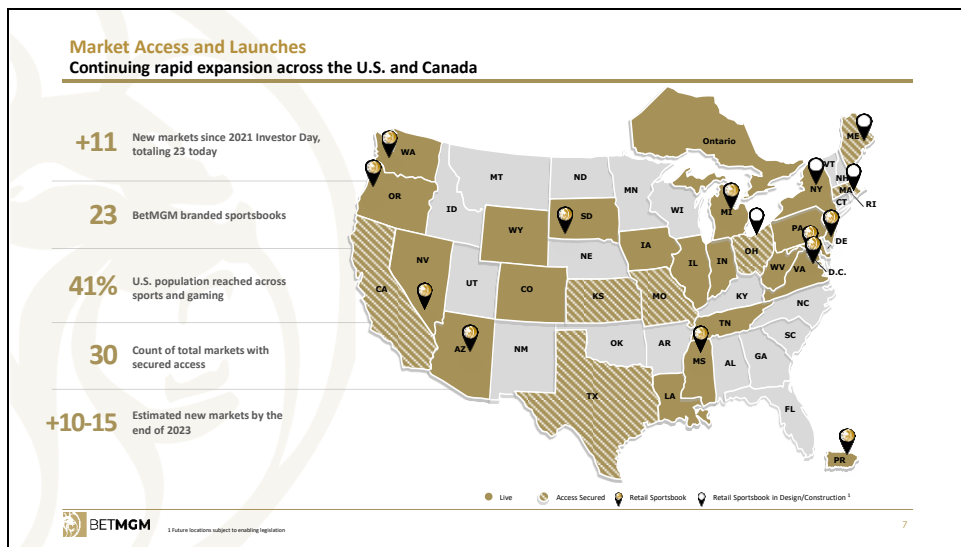
Adam Greenblatt:

Investment in an attention to responsible gambling is paramount to protecting our TAM. It's also critical to ensure that our players enjoy a sustainable and positive relationship with our leisure and entertainment offerings. It flows, too, that sustaining our player base sustains revenues and the tax base in each of our live states. So it is in the interest of all market participants to get this right.

Given the strategic importance of this area, we aim to be leaders in it through our investments in education and harm prevention. Our partnership with industry-leading RG program, GameSense, is key to this. We are also in the process of rolling out a technology developed by Entain that is badged markers of protection. It's an AI tool that is embedded within our platform that looks for changes in player patterns and behaviours and then triggers alerts, which prompt player communication. In our digital environment and with the scale of business we have become, this is an essential tool to drive early detection at a player level. Lastly, we offer RG tools within our product and ensure that we comply with the AGA's code of conduct in relation to advertising.

Linked to concerns about responsible gambling are questions about the amount of advertising undertaken by the industry. We are fortunate to have a number of examples of what happens if these questions remain unaddressed over time, Italy, Spain, Australia, the U.K., to name a few. And the conclusion is this, the best way to ensure long-term sustainability of a positive growth environment for our business is for us and our industry competitors to get out in front and create a responsible advertising framework that is underpinned by player research and data. BetMGM is taking steps to work with our industry peers to address this.

## Slide 7



Adam Greenblatt:

I'm pleased to say that we're still rolling out at pace. Over the last 12 months, we launched 7 online sportsbooks in D.C., Arizona, Wyoming, Louisiana, New York, Illinois, and our first international market, Ontario, where we also launched iGaming. We also opened 9 new retail sportsbooks in 5 new markets, namely D.C., Arizona, South Dakota, Maryland, Washington and Puerto Rico. This brings our total number of physical sportsbooks to 23 in North America with many marquee locations at MGM Casinos. We've also secured market access in a further 7 states, which brings our total to 30. And I'm delighted to announce today that 1 of those 7 market access positions is with the Houston Astros. So we are strongly positioned for when Texas introduces sports betting.

I know that I've just gone through a lot of names and numbers of states for this and for that, which is not easy to digest immediately. But the takeaway is this. Through these successful, mostly day 1 launches, we have demonstrated again that BetMGM is able to deploy in new markets effectively and, thereby, convert theoretical addressable market into real revenues and growth.

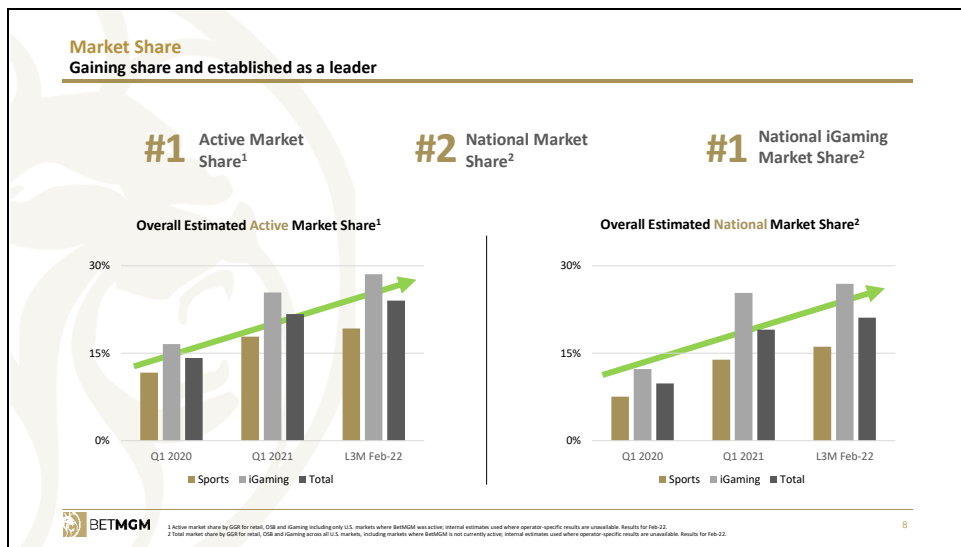
BetMGM is also reaching critical mass, now offering 41% of the U.S. population one or more of our leading products. This scale and the broad scope of product and geographic offerings provide significant competitive as well as operational advantages. Matt will expand on this later in the presentation. But the rapid growth of our footprint has also opened up scale efficiencies that make some national initiatives accessible and attractive, where previously, they were uneconomic because of the extent of leakage in states where we were not active. We've gone from 12 to 23 markets in a year. Given our current footprint, the ROI on national advertising can be justified based on its impact in our live states alone.

The benefits to BetMGM's brand from an awareness perspective in states where we are not active is the free upside, which is exciting, particularly as we consider the benefits of

launching into new markets with a degree of brand recognition before we've even started. The other benefit is that this national brand awareness makes BetMGM the obvious choice for visitors to Vegas from all over the country, of course, while they're in town, regardless of whether their home state allows online sports betting or not.

The short-term outlook for further rollout is positive, too. We welcome the recent momentum in Kansas and are already planning for Ohio and Maryland.

## Slide 8

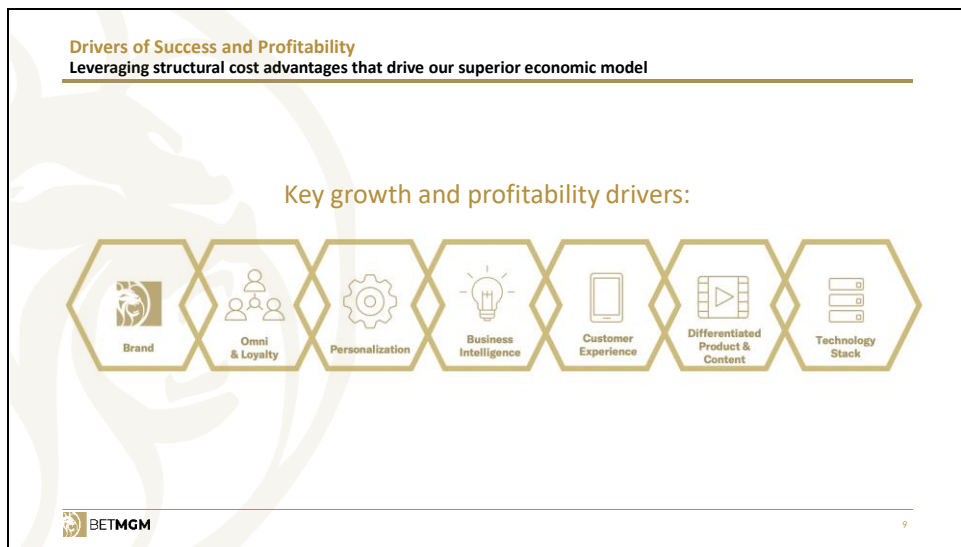


Adam Greenblatt:

Our market share has expanded from last year in both products, positioning us #1 in active markets and #2 nationally. We've also captured and successfully defended the #1 position nationally in iGaming.

As we are already near the top of our long-term target market share range in the U.S., we feel very comfortable with our guidance. You should note, however, that we will be taking a very conservative approach in New York until the tax environment improves. So our share calculations will likely be impacted by this deliberate strategy.

## Slide 9



Adam Greenblatt:

As I was preparing for today's event, I went back to my script from last year and came away even more positive about BetMGM's strategic positioning than ever, because our recipe is proving durable, successful and excitingly becoming even more efficient as we scale.

We had 500 colleagues last year. We're now around 1,600, including our amazing teams in Manila. And gratifyingly, we are still smashing our industry benchmarks for colleague engagement with BetMGM in our survey of staff from a few weeks ago where a full 93% would recommend BetMGM as a great place to work.

We had 20% market share last year. We're now around 25% overall in our live markets. We've won 2 prestigious Operator of the Year awards for our gaming business. BetMGM's charge continues.

So how are we doing it? Well, our brand is our heart and has been positioned to take advantage of some of MGM Resorts' strengths. Sophisticated and trusted, yet accessible and always fun. An important differentiator remains our omnichannel strategy, including the loyalty tie-in with MGM Resorts. Matt will go into more detail about why this has benefits to BetMGM in terms of player cost and value leading to enhanced ROI. We won't cover the benefits to MGM Resorts today, but there is real and growing value on their side of the equation, too.

The areas of personalization and business intelligence are widely spoken of but rarely operationalized effectively and at scale. And it is in these areas that we have made perhaps greatest strides over the last year through a combination of tailored tech and tools enhancements, investment in team and process improvement. The fully integrated tech platform is pivotal here. Again, more on this later.

I'm convinced that in a sector where long-term leadership will depend on excellence, in execution and constant incremental improvements, this area will become an even more powerful growth and efficiency driver for BetMGM.

Equally critical for long-term leadership is product. We are among the best in OSB today and are the undisputed leaders in iGaming. But our ambitions are greater still. Jarrod will talk through what we have in the pipeline for this year and into next in the area of customer experience, product and content differentiation, which we think will improve meaningfully our player engagement KPIs. In layman's terms, an even more awesome product leads to reduced player churn and improved marketing ROI. Underpinning this all is Entain's globally proven and market-leading technology platform.

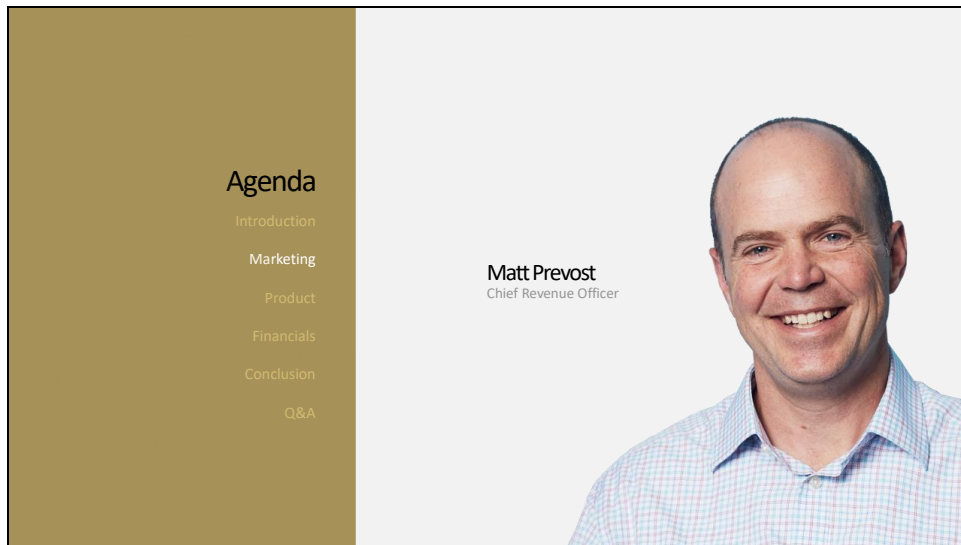
It remains the case that our business is a details business with a staggering number of moving parts requiring real-time orchestration of dozens of micro processes. And without best operational execution, leadership is impossible.

With another year under our belts, the team at BetMGM has moved into a new phase of technology-enabled, data-driven process refinement, which are driving efficiencies in not only revenue-focused activity but also driving improvements in our largest cost categories of tax, marketing and payments. For example, we are expecting to achieve around \$50 million of saving in the area of payments in 2022 while, at the same time, improving acceptance rates and player satisfaction.

Funnel optimization remains an area of focus. Conversion rates over the last 18 months have improved dramatically. Combining these with the free or low-cost contributions we received from Entain and MGM Resorts, our conviction in our long-term EBITDA margin projections are stronger than ever.

With that, I will hand over to Matt to dive deeper into our commercial strategy. Thank you.

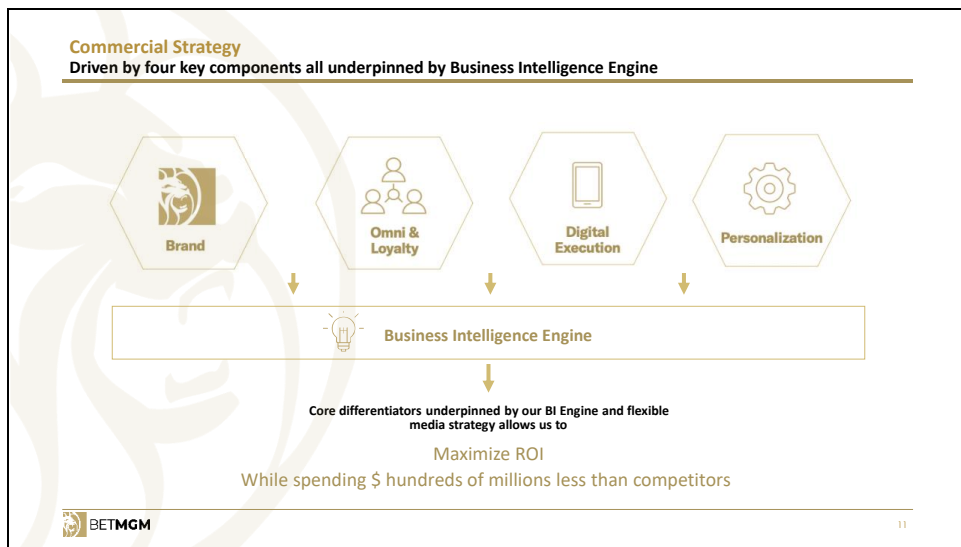
## Slide 10



Matt Prevost:

Thanks, Adam. I'm Matt Prevost and I've been the Chief Revenue Officer of BetMGM since the start of 2019. And I'm responsible for our trading, gaming, marketing and BI teams. Prior to BetMGM, I spent 4 years as the CMO for one of the largest bookmakers in the U.K., which has provided a terrific perspective on the rapidly evolving industry here in the U.S. BetMGM is a fundamentally different business than what it was 12 months ago when we gave our first investor update. While I'm incredibly proud of the progress our teams have made during that time, I'm also confident that the advantages of our business model and commercial strategy will only increase in the years ahead.

## Slide 11



Matt Prevost:

Our commercial strategy features 4 components: brand, omnichannel, digital execution and personalization that are all underpinned by a significant investment in BI and analytics. Jarrod will walk through the product experience that supports our commercial strategy in his section.

## Slide 12

**Brand**  
Increased in scale and depth in the last 12 months. On track for target CPA of \$250

Leverage MGM Assets

Increasingly National Brand

Expanded Campaign Depth

Flexible Media Strategy

Selective Investments in Content

Local Investments in Key Partners

BETMGM

12

Matt Prevost:

The BetMGM brand has evolved significantly since 2019 when there was little awareness for what was called PlayMGM at the time. And the 2 largest competitors had each spent about \$1 billion in advertising, building out their DFS and sportsbook brands.

Our strategy has been to leverage the trust associated with the MGM brands in our creative campaigns built over decades with the iconic imagery ranging from the fountains of the Bellagio to the MGM lion. And as the world returns from COVID and MGM properties are increasingly at capacity, our expanded brand presence on property reaches more and more potential BetMGM customers.

We've expanded our depth of messaging to include active support of our gaming business and added sports-specific campaigns with headliners such as Kevin Garnett and Wayne Gretzky. Importantly, we've also invested in our social team capabilities and delivered more than a 400% increase in social engagements year-on-year, up to 1.5 million through April.

This combination of cut-through brand creative and TV, coupled with relevant digital and social execution, has been central to the growth of BetMGM. The result of our strategic approach is that BetMGM spends hundreds of millions of dollars less than our primary competitors, fully \$300 million to \$400 million less each year.

Central to our approach is flexibility. We limit the amount of long-term fixed media deals and move money from state to state based upon performance each and every week. This performance mindset allows us to drive higher ROI through our digital and offline campaigns. And in Q1, we increased our predicted marketing ROI by 22% year-on-year. This improvement in marketing efficiency is an important step towards profitability that Gary will outline later.

With our expansion to become a national brand also comes cost efficiencies. We remain committed to our long-term CPA target of \$250, and our improved awareness in each state will only accelerate our cost efficiency. For example, day 1 brand awareness in Illinois, where we launched in March of '22, was at 25%, whereas our day 1 awareness in Virginia was only 11% a year earlier.

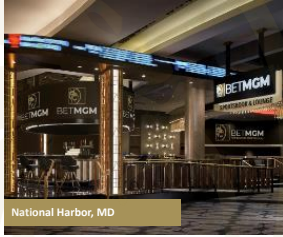
The national brand thinking has also allowed us to selectively invest in sports content with media partners. We have active content partnerships with SportsGrid, Yahoo, Sinclair and Odyssey and will increasingly broadcast from MGM properties. We believe these content partnerships are effective investments in their own right. And the on-site broadcast will help reinforce this connection to MGM and its unique experiences.

## Slide 13

**Omni & Loyalty**  
Omni-channel activation is a core differentiator for BetMGM

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**Retail Sportsbooks**




National Harbor, MD



Raiders Tailgate, Las Vegas

**Loyalty Integration**



Earn **MGM REWARDS** when you play online

**23** BetMGM Sportsbooks

**100+** Hosted Events in Q1 2022

**37M+** MGM Rewards members

**20%** Of all new players visited an MGM property prior to registration

**300K+** BetMGM Rewards redemptions per month

 **BETMGM**

13

Matt Prevost:

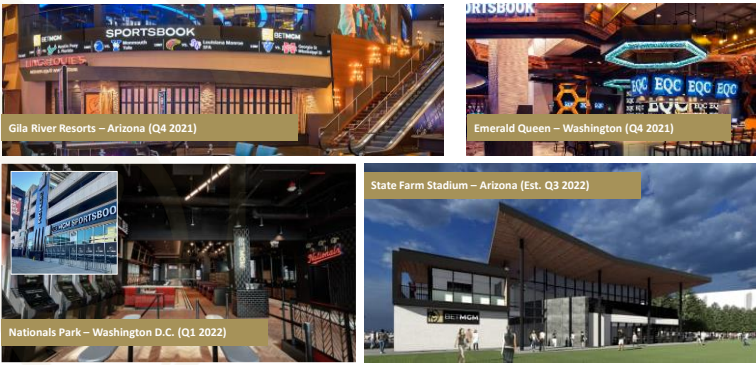
Omnichannel is our core difference. We have 23 sportsbooks in MGM properties where customers can engage with ticket writers that can provide betting assistance as well as help them sign up and fund their digital accounts. From a player acquisition perspective, almost 20% of all of our new customers have had a previous relationship with MGM. In the last 12 months, we've hosted hundreds of events at MGM properties in close coordination with the MGM marketing teams.

A few highlights include a 1,000-person tailgate in the Luxor parking lot for Raiders games, more than 20 different Super Bowl parties across the country, a wide range of March Madness events and even a number of on-property poker tournaments.

The loyalty program integration allows BetMGM customers to redeem rewards points for MGM experiences and value. Importantly, BetMGM Rewards customers receive preferential service while on MGM properties. These include faster check-in, access to premium entertainment events and even discounted room rates. We see about 300,000 loyalty redemptions a month within our BetMGM Rewards program and those go into bonuses and on property redemptions. And those will only increase as the recently rebranded MGM Rewards program gathers momentum.

## Slide 14

**Omni & Loyalty**  
... And retail extensions into other venues further expand our footprint




Gila River Resorts – Arizona (Q4 2021)

Emerald Queen – Washington (Q4 2021)

Nationals Park – Washington D.C. (Q1 2022)

State Farm Stadium – Arizona (Est. Q3 2022)

Thousands of customer & brand interactions per day at these venues

 BETMGM

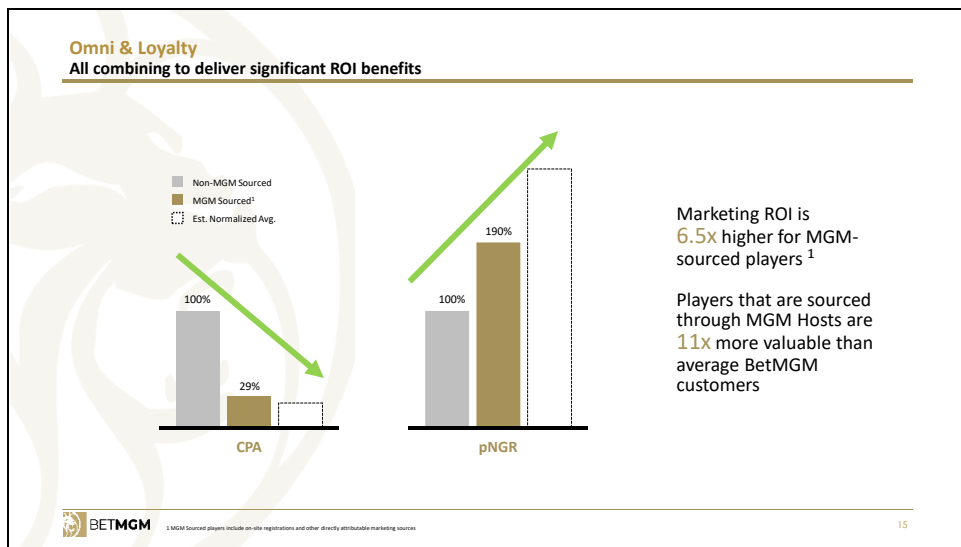
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Matt Prevost:

Another important extension of our brand has been the build-out of our retail properties with casino and sports partners. We've developed world-class facilities with partners such as the Emerald Queen in Tacoma, Washington; Spirit Mountain in Oregon, Gila River Resorts in the Phoenix area; Nats Park in D.C., and are currently under construction for a new sportsbook at State Farm Stadium in Phoenix with the Arizona Cardinals.

In addition to brand expansion, these properties provide an opportunity to educate customers that might be new to betting as well as recruit high-value players from these venues. With thousands of bets each and every day, the trust of the BetMGM brand is reinforced through our key partners.

## Slide 15

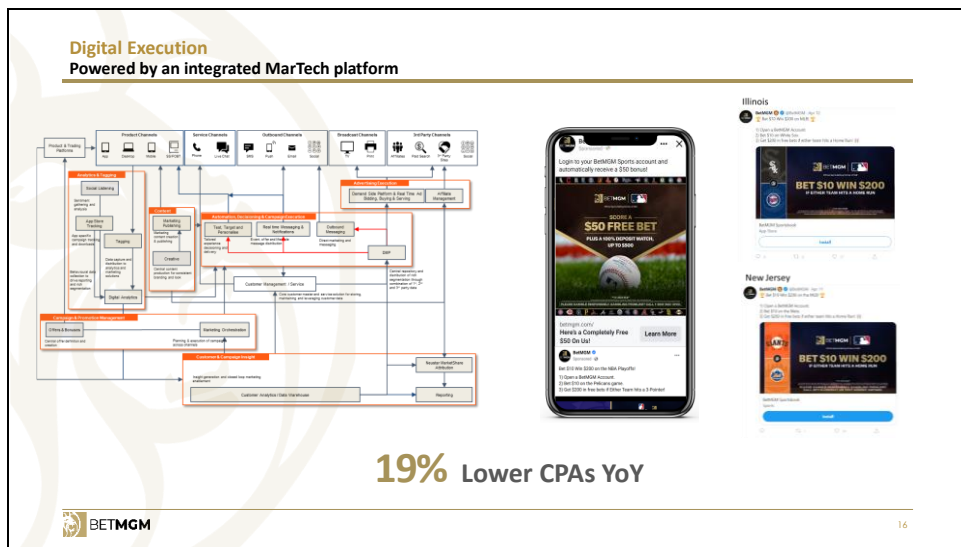


Matt Prevost:

In financial terms, the benefits of omnichannel are clear. CPAs are 71% lower than our average CPAs. Predicted player value is 1.9x higher. The ROI is therefore 6.5x better than our other marketing channels, a massive difference. Importantly, we are now more tightly integrated with the MGM host teams who are actively promoting BetMGM to their high-value customers. The player value originating from this team is roughly 11x higher than our average player value.

We've seen a higher return on investment year-on-year from omnichannel and are looking ahead to potential opportunities to sign up customers in MGM states that are in the process of regulating, including Ohio, Massachusetts, Maryland and even New York.

## Slide 16



Matt Prevost:

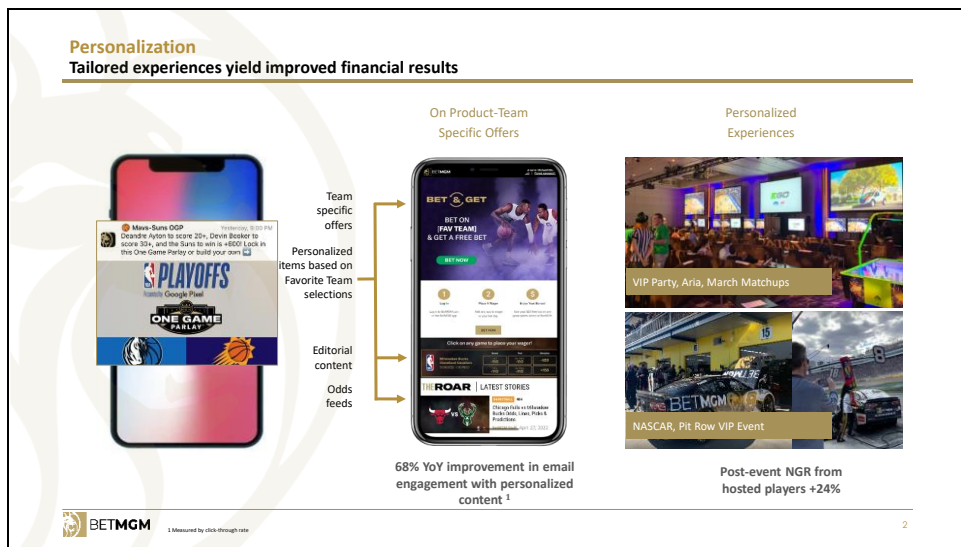
One of the key components we inherit from Entain is a MarTech stack which includes a fully integrated set of proprietary tools that incorporates technology from providers such as Salesforce, Google, Optimove and others. This tool set provided us with a head start in our optimization of campaigns. And we've continued to develop capabilities alongside our partners at Entain.

Integration is the key. We start with customer segmentation, which includes attributes such as team preferences, average bet size, bet type, game type and a host of other variables. From this insight, it's relatively easy for us to deliver a single message or promotion across a variety of channels. Having personally worked with a number of businesses with disparate marketing tools, the fact that all these tools are connected is a significant advantage.

It's also important to note that we've hired an experienced team, many of whom have European gaming experience. This team has really hit their stride in the last year. So how does all this work in practice?

We optimize our targeting using lookalike audiences and our refined segmentation. Then we leverage predictive models to identify the best offer and creative pairing for the segment and channel. We apply exactly the same approach to our affiliate and media partners. A big part of our step change in reducing CPAs by 19% over the past year was the result of our expanded capabilities in ad and affiliate execution.

## Slide 17



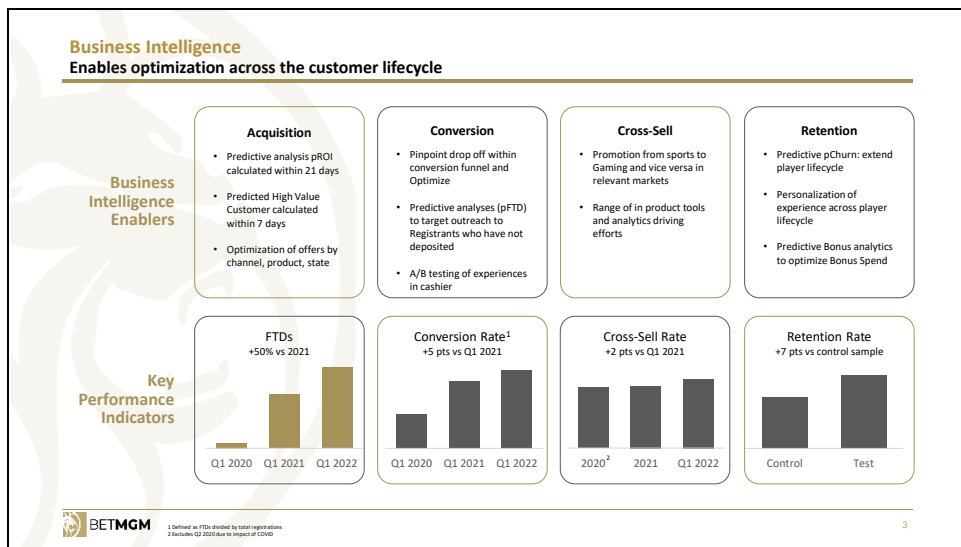
Matt Prevost:

The tech platform also provides capabilities to enable a personalized digital experience and improve customer retention. We tailor the homepages in both the sports and gaming business based upon player preferences. Our real-time push notification program matches customer team preferences, betting type, betting value with what is actually happening in the game.

This program delivered an incremental 6% GGR lift to our campaigns year-on-year. And we'll continue to get more effective as we expand our sport coverage and segmentation. We've extended this personalization into our e-mail and player communication efforts where we've seen a 64% year-on-year increase in click-through rates since we implemented personalized creative in the body of the e-mails.

Finally, we've been able to personalize our high-touch outreach with the build-out of our host organization and the real-life events I mentioned earlier. From golf tournaments in Michigan with Barry Sanders to Lady Gaga front row seats at Park MGM, we're able to match the unique experiences to the interest of our high-value players. These events drive meaningful financial results as we've seen a 24% increase in NGR from players in the 6 months after they attend a special event.

## Slide 18



Matt Prevost:

Finally, our commercial strategy is enabled through our investment in BI and analytical capability. With the benefit of a consistent sports calendar, we've now built predictive models that assess player value at 7 and 21 days as well as the likelihood a player will churn. These models are not merely interesting PowerPoint slides. We use them every day in ad optimization, early high-value customer identification, trading risk management, content evaluation and bonus optimization.

While we've built a 40-person team here in the U.S., we also benefit from Entain's decades of experience in this area, and therefore, we can modify existing models versus building them from scratch. We deploy this BI capability across the customer life cycle. Our acquisition is up 50% year-on-year, and we've delivered this volume at 19% lower CPAs. In conversion, we've built on the terrific progress in 2020 and '21 and increased by another 5 percentage points year-on-year through analytics and friction points throughout the sign-up process.

In our multiproduct states, our cross-sell efforts from casino to sports and vice versa have increased by another 2 percentage points year-on-year and are now at 40%. This has been a key contributor to the success of our gaming business.

In retention, we've recently deployed a new predictive churn model that has shown significant results since February with a lift of almost 7 percentage points in retention versus control.

## Slide 19

**Commercial Strategy**  
**Looking ahead**

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**Brand**

- Increasingly national brand... with strong momentum

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**Omni-Channel**

- Higher property visitation post Covid
- Potential state regulation – MD, OH, MA, NY
- Expanded capabilities with MGM Resorts

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**Digital Execution**


- Building on robust MarTech and team capabilities
- Significant opportunity with Single Account

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**Personalization**

- Refinement and expansion of capabilities

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 **BETMGM** 4

Matt Prevost:

So as I look ahead, I remain highly optimistic about the prospects for BetMGM. Our brand has momentum that will only increase with scale. We're just in the early innings of building out our omnichannel efforts with MGM. We've built a foundation of digital capabilities that will serve us well as we go forward that spans acquisition, retention and reactivation. And with that, I'll hand over to Jarrod, who will outline further improvements in our product experience that should enhance competitiveness in the years ahead. Thank you.

Slide 20



Jarrod Schwarz:

My name is Jarrod Schwarz, and I'm BetMGM's Chief Product Officer, responsible for our product, design, and customer experience. Prior to joining BetMGM, I spent over 7 years at ESPN, building its digital products and developing a deep understanding of the U.S. sports fan.

## Slide 21

**Product**  
Strategy focused on 3 key areas

Customer Experience

Differentiated Product & Content

Technology Stack

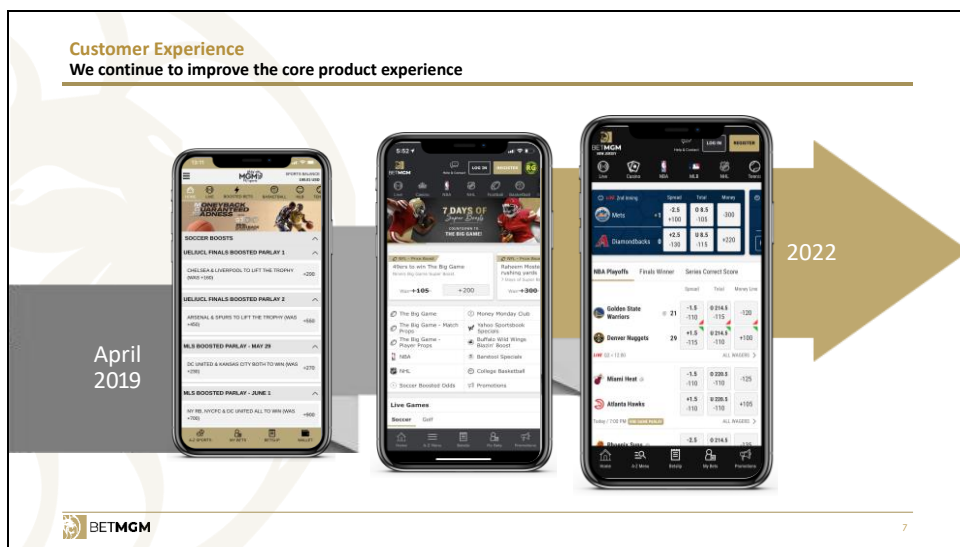
BETMGM

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Jarrold Schwarz:

I'm excited to talk to you today about BetMGM's product with a focus on 3 key areas: first, delivering a superior customer experience; second, leveraging our exclusive and differentiated content; and third, maximizing the underlying technology platform to drive efficiencies through scale.

## Slide 22




Jarrold Schwarz:

Let's get started. BetMGM continues to invest in evolving our customer experience to deliver best-in-class websites and applications. Core to this philosophy are speed, simplicity and ease of use.

Over the last year, we've made it easier to sign up and activate your BetMGM account. We've improved the look and feel of our products. We've made it easier to find and discover content. And we've rebranded and improved our loyalty and rewards programs. These efforts have led to significant improvements in our customer satisfaction with over a 16% increase in NPS over the last 2 quarters alone.

## Slide 23

**Customer Experience**  
Redesigning the BetMGM digital experience, including single account and wallet




**BetMGM Redesign**

- Reimagined visual design
- Improved discovery
- Optimized betting experiences
- Iterative rollout starting this year

**Single Account and Wallet**

- Sign up once, bet anywhere
- Unified wallet for deposits and withdrawals
- Single account and login
- Consolidated rewards

 BETMGM 8

Jarrod Schwarz:

This next year, we plan to supercharge these efforts with 2 key initiatives. First, we are undergoing a full redesign of the BetMGM application and website. This new experience will include a complete refresh of our visual design and will also significantly improve our user experience. It will make our products cleaner, faster and easier to use. This effort will roll out iteratively starting in '22 and continuing into 2023.

Next, we will be launching a new account and wallet framework that allows users to easily sign up, deposit and play with BetMGM wherever and whenever, seamlessly moving from state to state.

## Slide 24

**Gaming Product and Content**  
Strengthening our position in iGaming through differentiated product and content



**#1** Market leader in U.S. iGaming market

**1,000+** Games, including top 2 games developed in-house<sup>1</sup>

**134%** GGR increase in Live Dealer

**\$80M+** Jackpots paid in the last twelve months

Depth, exclusivity of content, and personalization contribute to competitive strengths

**BETMGM** 1 As ranked by GGR over the trailing twelve-month period

9

Jarrold Schwarz:

Shifting our focus from customer experience, let's talk about our product and content strategy, starting with our market-leading iGaming business. Recently recognized as Casino Operator of the Year at the EGR North America Awards, BetMGM differentiates itself from the competition in 5 key areas.

First, our depth of games. We lead the marketplace with over 1,000 games, delivering unmatched variety and quality. Our leading market share and greater distribution also lets us negotiate favourable economic terms with our suppliers, driving efficiencies through scale.

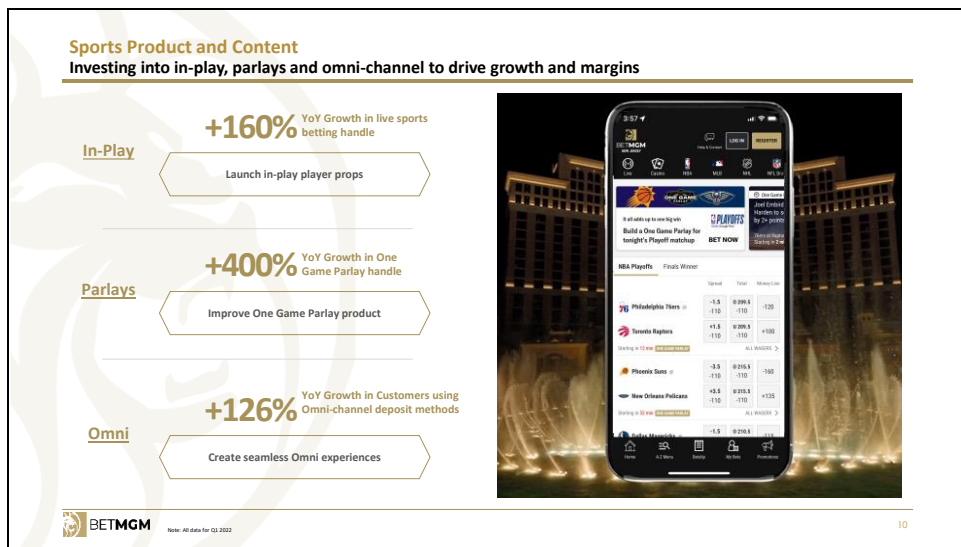
Second, exclusive games and in-house content only available at BetMGM. Leveraging the portfolio of world-class MGM brands, we deliver player favourites like MGM Grand Millions, Bellagio Fountains of Fortune plus exclusive games using NFL and NBA team branding aligned to key markets. In fact, 3 out of the top 5 casino games are built in-house, including our top 2 in gross gaming revenue.

Third, live dealer has grown at 134% year-over-year, built on the best live dealer studios and with BetMGM branded experiences.

Fourth, the largest iGaming jackpots in the United States. Over the last year, we've had over \$80 million in jackpot wins paid.

And last, as Matt discussed, personalization is an important part of our gaming ecosystem. Using our personalization engine, we can get the right player, the right content at the right time.

## Slide 25



Jarrold Schwarz:

Next, let's shift our focus to our online sports betting experiences. Last year, we discussed 3 core themes that continue to drive our investment strategy: first, increasing live sports betting. In-play betting has grown over 160% year-over-year in handle, a clear indication of customer engagement and excitement. This year, we'll be enhancing our product experience and expanding our live market coverage, including in-play player props starting with NFL.

Second, driving adoption of parlays. Parlay handle has increased over 140% year-over-year with bet count increasing by over 160%. Key to this strategy is our 1-game parlay product experience. That released new sports, including MLB, college football and NHL over the past 12 months. Enthusiasm for these experiences peak during top events with 1-game parlay driving over 27% of bets on Super Bowl Sunday and over 22% of bets during Final Four weekend. Overall, 1-game parlay handle is up over 400% year-over-year.

This year, as part of our redesign effort, we will deliver an even better 1-game parlay experience. We expect this investment to pay dividends and increase both customer adoption and margin for our Sportsbook business.

Lastly, omnichannel continues to be a key differentiator for BetMGM. This past year, our retail business in Las Vegas set a record high despite continued disruption of COVID. With this success in leveraging our omnichannel strategy, we've seen customers adopt digital at an even greater rate with 126% increase in customers depositing using both retail and digital methods in Q1 2022.

## Slide 26



Jarrold Schwarz:

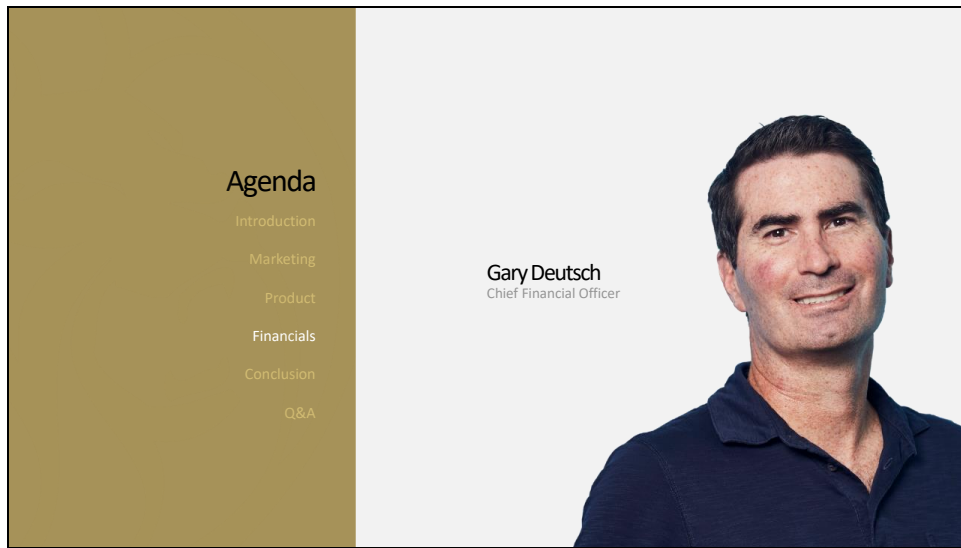
Underpinning our product experience is an industry-leading technology platform with clear competitive advantages in scale, flexibility and performance. As already highlighted, BetMGM has seen extraordinary growth. And our platform has seamlessly scaled to meet our needs, delivering almost 1 billion sports bets, casino spins and hands played last month alone, built on a global technology stack that sees enormous scale, delivering over 71,000 transactions per minute. Beyond volume, the platform scales seamlessly across markets, having successfully launched 3 markets in just 9 days and 11 in the last 12 months alone.

The Entain platform is also flexible, allowing BetMGM to execute our multi-brand, multiproduct strategy in an efficient way, operating 3 core brands, including BetMGM, Borgata and Party Poker. We leverage an omnichannel distribution strategy across mobile, desktop, kiosks and retail point-of-sale, making BetMGM the most accessible sports betting and iGaming business in the United States.

These product experiences sit on an industry-leading patron management system that enables us to create a highly personalized customer experience, deliver excellence in our customer service and operate data-driven marketing efficiently and effectively.

And now I'll hand it over to Gary, who will walk you through our financial performance.

## Slide 27

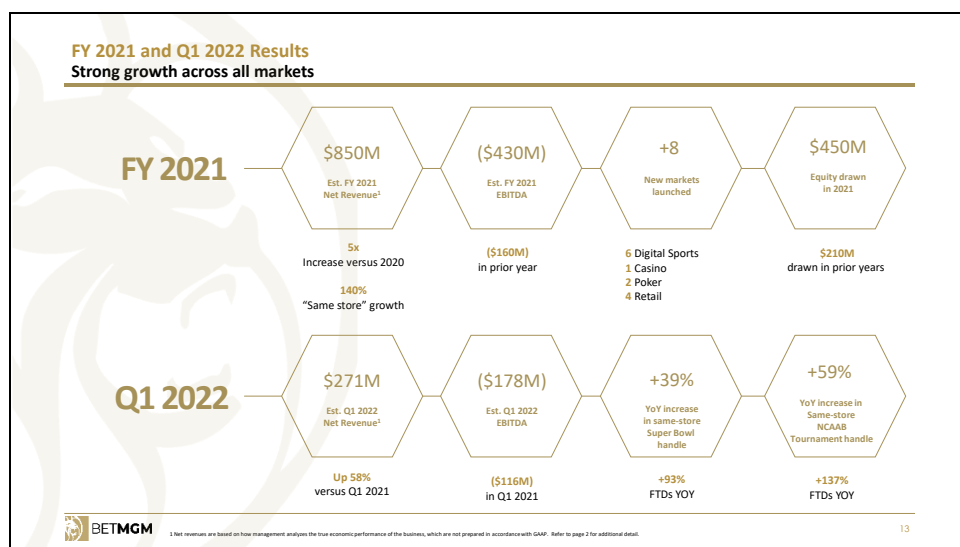


Gary Deutsch:

I'm Gary Deutsch, and I've been CFO of BetMGM for nearly 3 years now. This past year has been one of tremendous growth for the company. It has also validated the main assumptions in our business model and provided insights to refine our planning, including our path to profitability during 2023.

Today, I'm first going to provide an overview of our financial performance from 2021 and Q1 2022. I will also provide guidance on full year 2022. I will then discuss how real life has compared to how we expected the business to evolve. I will also provide some colour on the subject of industry sustainability and BetMGM's focus on making sure our industry grows in a healthy, sustainable manner. Lastly, I'll walk down our P&L to discuss the major elements of our cost structure. Including our unique advantages from our relationships with MGM and Entain, we continue to target EBITDA margin of 30-plus percent.

## Slide 28



Gary Deutsch:

Let's get to the facts and figures on last year and Q1. First, the comment on GAAP in my presentation today. Consistent with last year's presentation, I'll be talking about net revenue and profit from operations with these figures based on how management analyzes the true economic performance of the business. These are not figures prepared in accordance with GAAP. A description of how we would calculate that revenue under GAAP can be found in the appendix of this presentation, a copy of which has been provided on the web in advance of this call.

Second, I want to make clear our definition of contribution. When we speak of profitability by state and by product, we will use the term contribution positive. The costs that go into the contribution calculation are essentially all of the direct costs, excluding people costs that would be considered cost of sales under a GAAP presentation of gross profit, plus our marketing spend. Contribution also does not include any depreciation or amortization costs that would be allocated to cost of sale.

Okay. As we talked about in our brief January call with investors and analysts, our 2021 net revenue was approximately \$850 million. And our EBITDA loss was approximately \$430 million. '21 revenue was almost 5x that of '20. And we saw same-state revenue growth of about 140% year-over-year.

2021 was a year that really highlighted the magnitude of this market and that BetMGM is a clear market leader with a vast business opportunity ahead. Compared to our mid-'21 expectations, '21 iGaming revenue and metrics were all-around better.

In online sports, we acquired more customers than expected but revenue was slightly light. This was due to the added promotional contra revenue from newly acquired customers through well-noted periods of aggressive promotional activity. Our largest costs in '21 were marketing spend, gaming taxes, people costs as we continue to grow and payment processing.

I'll now move to Q1 '22 performance and our outlook for the full year. Q1 net revenue was in line with expectations at \$271 million, with slight growth over Q4, which was, of course, the heart of the NFL season and 58% above our Q1. These growth metrics are ahead of our main competitors.

iGaming revenue was gangbusters with each month higher than any of the months in '21. March was far and away our all-time best month with a clear boost from cross-play from players engaged in March Madness sports betting.

Online sports revenue was below our expectations driven by subpar sports margins, which have been well noted across the industry.

We had a strong quarter of customer acquisition and engagement. iGaming beat our expectations and we ended up with 13% more players. That's quarter-over-quarter and 48% more year-over-year. This growth was all same-state.

In online sports, total actives were up 36% quarter-over-quarter and 114% year-over-year. For the states that were active in last Q1 '21, actives grew sequentially 9% from this last Q4 into this recent Q1 and growth was 42% versus that Q1 of '21.

During Q1, BetMGM made a concerted decision to pull back in our pursuit of players in New York due to its unfavourable tax environment. This reduced revenue slightly. However, marketing budget was diverted from New York to states with better economic returns. And this helped drive acquisition overperformance in those states.

Let me dive in on New York for a moment. The specific problem in New York is that it has a high tax rate of 51% of gaming revenue, and it applies that rate to both real revenue and phantom revenue associated with non-cash promotional wagering. So even at lower than typical promotions levels for a new market, operators in New York stand to experience effective tax rates. That's taxes divided by real revenue, NGR of well over 100%.

We have hoped that the New York tax environment will be updated, and we can then again more aggressively pursue New York players. However, as rational allocators of capital with sophisticated investors in Entain and MGM, we simply can't apply our capital against an irrational investment thesis. Players would never continue to play if the house always won, and the house cannot continue to play if it's always going to lose.

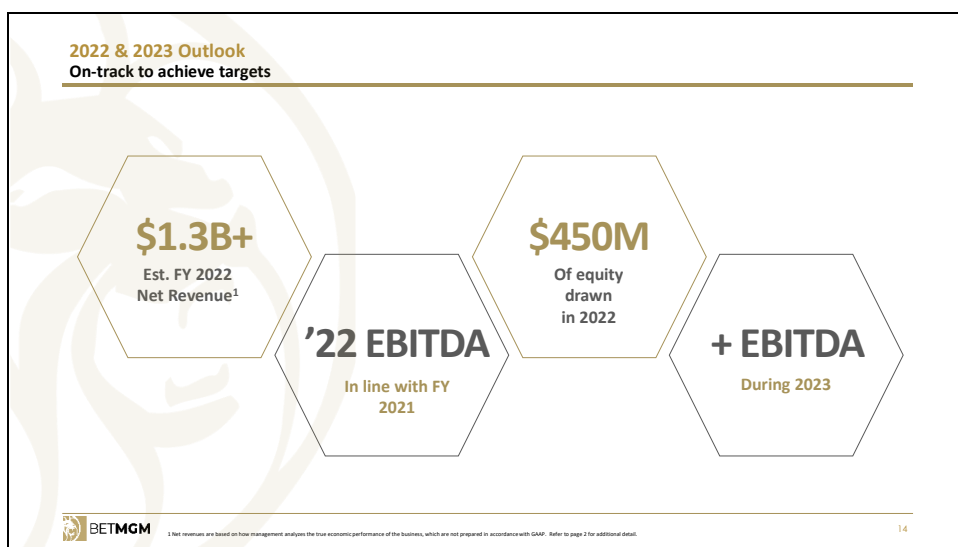
In Q1, we enjoyed successful launches in Louisiana and Illinois. Our success in overall acquisition of digital players did have the ancillary impact in Q1 of creating greater contra revenue as we had more promotional offers in play. Remember, Q1 holds 2 of the 3 biggest acquisition and reengagement tent poles of the year, the Super Bowl and March Madness. So the high levels of promotions were not surprising particularly given the competitive landscape.

I'd like to highlight some fun facts about the Q1 tent poles because we really saw our efforts to recruit players and to develop players come to life. For the Super Bowl, same-store handle and actives grew year-over-year 39% and 56%, respectively. And we had a 93% increase in first-time depositors across our total online sports business. For March

Madness, growth in same-store handle and actives was 59% and 38%, respectively. And we had 137% growth in first-time depositors during the period of the tournament across our total online sports business.

Back to the financial statements. In terms of the bottom line, our Q1 EBITDA was negative \$178 million, which was slightly better than our plan due to lower costs. With its new launches and abundant promotions, Q1's loss is expected to prove significantly deeper than any of the other quarters this year. CPAs were materially better than those in Q4. We've guided a number of times that we expect long-term CPAs to converge at around \$250. And everything we are seeing in the market points to that happening.

## Slide 29



Gary Deutsch:

We are on target to draw a total of \$450 million of incremental equity this year, which will bring total lifetime-to-date equity drawn at the end of 2022 to \$1.11 billion. As we look toward the end of the year, I can confirm the full year 2022 revenue guidance we provided in January. We expect net revenue of over \$1.3 billion, in line with expectations and with an EBITDA loss similar to our 2021 loss.

Within this guidance, the revenue mix differs from our January comments. We will have lower New York revenue as we focus on the higher ROI states. And while we expect some coming new states to now push launch dates out of '22 and into '23, we expect to see higher revenue in our other currently live online sports and iGaming markets.

Looking into next year, 2023, we also maintained the expectation that we will achieve EBITDA positive during that year, which will be an exciting milestone for the company. In early 2023, the mix of player cohort vintages in the business will tilt more heavily in favour of more mature contribution positive cohorts. This is an evolution I'll cover in more detail shortly. But first, I want to focus a bit on state and product business lines and their path to profitability.

## Slide 30



Gary Deutsch:

New Jersey is progressing as expected. Buoyed by the iGaming product, New Jersey has delivered positive contribution for 5 quarters in a row. For 2022, we expect New Jersey to approach \$100 million of contribution. While the iGaming P&L is the big driver here, know that online sports gets some of the credit for that P&L as many players who were acquired into the sports business then engage in iGaming.

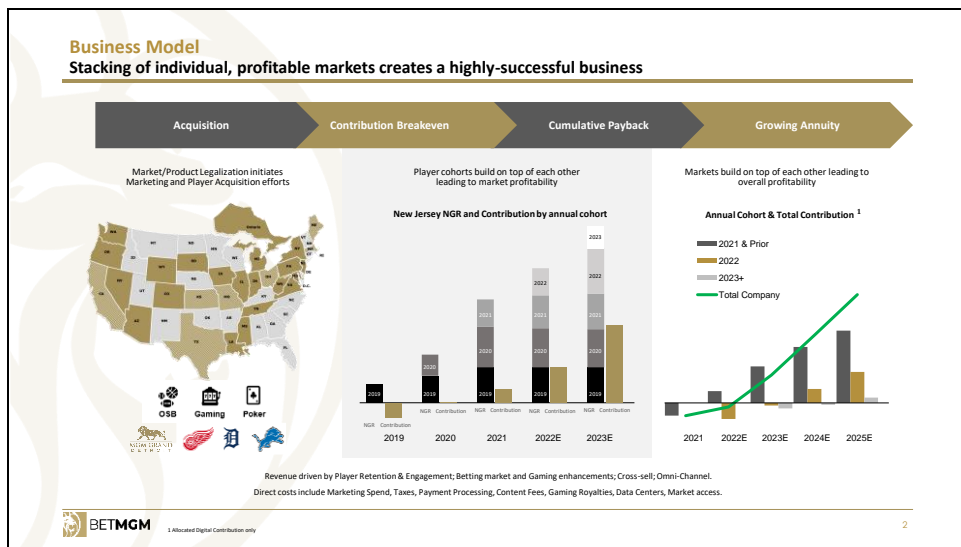
Michigan has been an outstanding state for BetMGM with strong market positions in both iGaming and online sports. Michigan reached contribution positive after only 6 months. And in Q1, 44% of players played both sports and iGaming.

We are also doing very well in a number of sports-only states, including Tennessee, Virginia, Colorado and Arizona. These are all states where we launched into the market more or less at day 1 and where we've beaten our initial targets for customer acquisition. Each of these states is on track to deliver positive contribution within 2022.

Now I want to focus for a moment on cross-sell omnichannel and positive trends in user behaviour. In our multiproduct states, about 40% of players played both sports and iGaming in Q1. As an example of the increasing spend and engagement from our players over time, the NGR from our oldest cohort of multiproduct players in New Jersey grew 25% year-on-year in Q1.

Additionally, in our online sports markets, the NGR from all players active in Q4 2020 or earlier to our oldest group of sports customers increased 41% from Q4 '20 to Q4 '21. These examples of per player spending increases foot with our model, which projects that per player values within each cohort will grow as cohorts mature.

## Slide 31



Gary Deutsch:

For this next portion of my presentation, I'm going to return to some of the descriptions of our business that I offered last year. First and foremost, BetMGM's business is a portfolio of businesses, and each of these businesses is a portfolio of user cohorts.

Beyond geographical differences and sports versus iGaming, differences between business lines include the economic composition of the market, estate tax rates, the nature of our access to the market, the competitiveness of the local media market, if a state is legalized both iGaming and sports, in particular, to BetMGM, proximity to the land-based properties of MGM Resorts.

We have built very detailed models for each and every product by state. Each model includes assumptions for each monthly cohort for the cost and number of new players when that cohort is established, followed by how the cohort then evolves over time. Assumptions for metrics like player retention, handle, bonusing levels, win margin, impact of tent pole events. We then apply these revenue-oriented metrics against our detailed operating cost models, tax rates, payments costs, etc.

The obvious question we are answering in our planning process is, do we have a viable path for the business line to achieve our targets for long-term profitability levels within the timeline we expect? Our answer has been a clear yes. Our approach has proven very accurate at forecasting results.

Last year, I discussed 4 stages of evolution for a business line. They are acquisition, then contribution breakeven, then cumulative payback and, finally, growing profitable annuity.

Acquisition. This is the initial launch period when we are investing most heavily in marketing and promotions to sign up new players. We are capturing long-term real money betters, but we are also signing up a good number of samplers.

For new online sports states, the share of new players who make it beyond their first quarter from acquisition is in the neighbourhood of 35% to 45%. Part of the art of managing this business is to monitor player behaviour, including responsiveness to promotional offers, to recognize a long-term customer from the transient sampler.

While retention of good customers is critical, churn of samplers is both healthy and expected. For the non-samplers, we then build strong loyalty, utilizing our personalization technology, customer services and rewards programs.

During the acquisition phase, marketing costs, combined with heavy contra revenue from promotions to drive negative contribution. Fortunately, our analytics and our tools and methods for customer acquisition, which Matt discussed, enable us to minimize these losses.

Contribution breakeven. This is when we stacked up enough cohorts with revenue-generating players to cover a period's operating costs as well as the acquisition costs of new players and fresh cohorts. Per player value metrics elevate toward long-term averages as cohorts mature. This happens as samplers move out and player retention stabilizes for the long term.

We continue to target each online sports market to hit breakeven at 12 to 24 months from launch while our iGaming markets hit it at 10 to 14 months. Some like New York will be slower and some like Michigan will be faster.

The total available number of customers for us to win is higher than we thought a year ago. And for online sports, the promotional landscape has also been a bit heavier with assumptions accordingly updated in our forecasting models.

Per player value metrics for iGaming have been much higher than for sports. But we will see sports close some of the gap in the coming years. That said, we expect long-term player values for iGaming to be distinctly higher than for online sports.

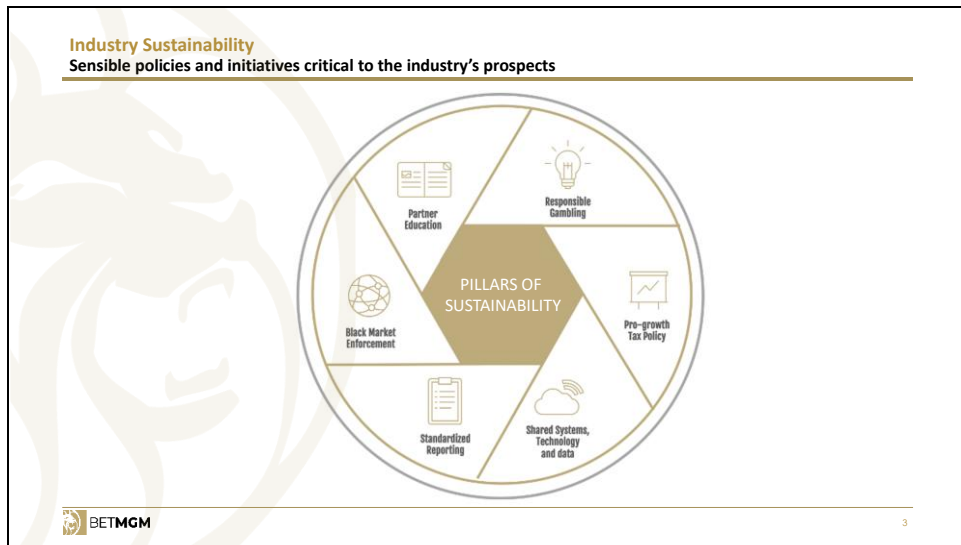
Cumulative payback. This is the phase when we have generated enough cumulative positive contribution since market launch to have covered all of the cumulative negative contribution plus any upfront investment costs such as license fees or market access partner payments.

We expect the new iGaming business to pay back in under 2 years, a little faster than we said last year. For online sports, however, the deeper dig we have made over the past 2 quarters in the heavy promotions environment extends the payback period on the affected states to a little over 3 years. However, with promotional intensity now ebbing, 3 years payback remains the target for future sports launches.

Growing profitable annuity. This is when the majority of cohorts have matured to being a stable group of real money players. At this point, acquisition marketing and promo costs are a significantly smaller percentage of revenue. Nevertheless, growth continues to be fuelled by new cohorts that add to the large player base as well as increasing spend within

the maturing cohorts. Of course, the cash flow for more mature markets helps power growth in markets they're still developing.

## Slide 32

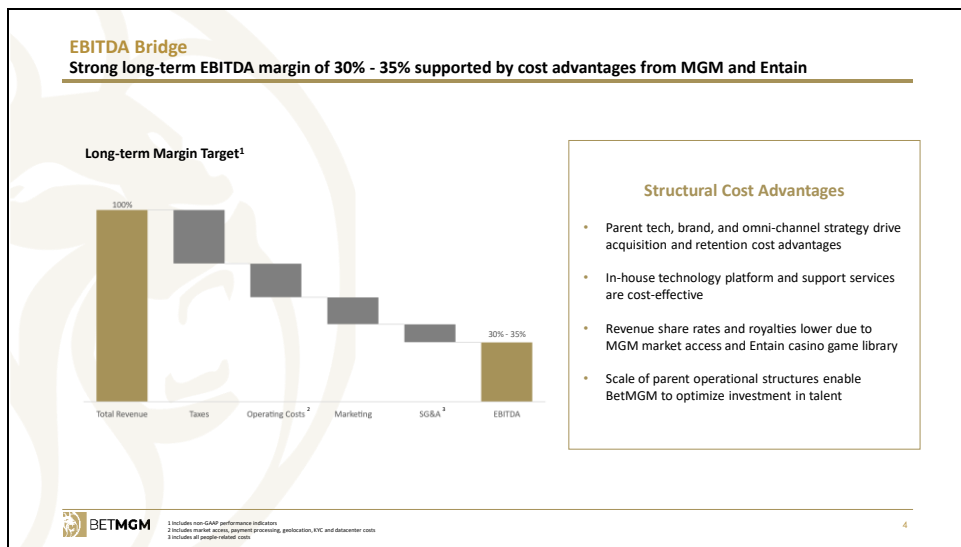


Gary Deutsch:

As the company as a whole direct itself through these phases of growth, I want to highlight the importance that all constituents in the industry work to ensure its long-term sustainability. Adam discussed responsible gaming initiatives, which are clearly a necessity for sustainability. The New York tax discussion is also one that's about sustainability, of course. For us, other partnerships including ones with payments companies and marketing partners, have illuminated the overarching need for the industry to educate its potential partners on our business model. Without this education, misconceptions of how gaming operators make money can prevent partner alignment. The subject of sustainability also spans a set of much more mundane back-office initiatives that are going to be important ones that will make it easier for accounting and admin and compliance people on both the operator and regulator sides to do their jobs more effectively.

Think of common reporting standards or best practices sharing across states, operator-regulator and regulator-regulator collaboration. This type of work will reduce complexity in what's fast become a very fragmented patchwork of unique state-by-state operating environments. Lastly, there's a subject of the black market. The legal industry needs to do more to ensure that the health of our industry is protected through stricter enforcement against the illegal operators.

## Slide 33



Gary Deutsch:

I want to finish out by returning to the main long-term consolidated P&L for BetMGM. This is the P&L we are projecting at steady state as the TAM approaches maturity. We continue to project our long-term EBITDA margin to be north of 30%. As I now walk down our P&L, I'm going to highlight the many distinct benefits we receive from MGM and Entain and how they create margin advantages that support the achievability of our target.

Let's first look at our business mix and the relative contribution margin expectations for online sports compared to iGaming. At scale, and bear in mind this is based on our latest and greatest view on legalizations, which is always subject to change, we expect online sports revenue to eventually catch up and then surpass iGaming revenue. This will take a few years. At scale, we project contribution margins for online sports and iGaming to be very similar, with the better iGaming unit economics for players, including the benefit to marketing costs of many iGaming players being cross-sold in from sports, being offset by higher tax rates for iGaming, New York, of course, being an outlier.

Retail is expected to grow steadily, but its share of the revenue mix will not keep pace with the growth of the digital businesses. As mentioned earlier, gaming taxes are currently our second largest cost item after marketing, though we expect taxes to become the largest in the coming years as the intensity of customer acquisition subsides.

Within the marketing bucket, I want to again highlight the cost advantages for customer acquisition and retention that we gain from our relationships with our parents, the MGM brand, our Integrated Rewards program, tech for data analytics and BI, MarTech tools and our omnichannel touch points, of course. In our long-term business model, we expect marketing as a percentage of revenue to settle in at around 14%. We believe our parent relationships enable this figure to be 2 to 3 percentage points lower than it would be without our parents.

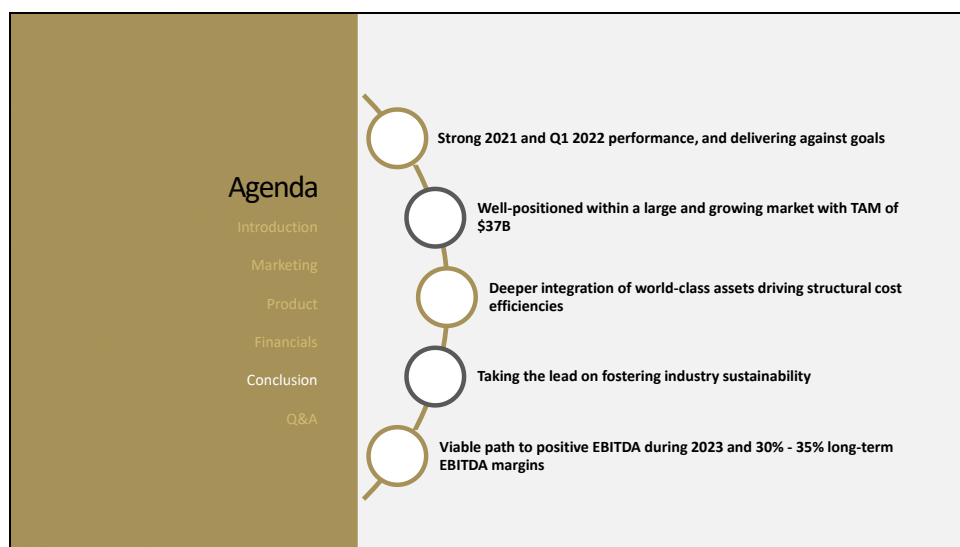
Aside from gaming taxes, other major direct operating costs include payment processing, market access revenue shares, systems and services for KYC and geolocation, casino game royalties, sports data fees and data centres. Payment processing is a big subject in our industry and it's one where we've been very proactive in educating our partners on the unique nature of our business. This year, we've been able to evolve our payment relationships to bring more alignment between business models, and freshly updated deals are now driving unit cost savings. We expect payment costs as a percentage of revenue to settle at around 7%, which is about 1 percentage point better than we would expect to achieve if we didn't have the advantage of also leveraging Entain's global scale.

We are not paying market access revenue shares in any of the states where MGM has a property. So that's another cost advantage that we believe adds about 2 points to our long-term margins. We are also not paying royalties for any casino games created by Entain, which adds about another 1 point to our margin. Casino royalties are analogous to data fees in the sports business. There's some uncertainty around the long-term cost for sports data, but our expectation is that data fees will be a much lower percentage of revenue than casino royalties.

Thus far, I've highlighted 6 to 7 percentage points of benefit to our EBITDA margin, resulting from our parent relationships. This is before getting to the headline cost advantage of BetMGM, our utilization of Entain technology platform and associated services. Given Entain's contributions to BetMGM, we have very little CapEx or OpEx that hits our financial statements as a result of the creation, deployment and maintenance of the software that powers our business. We also gained significant efficiency in our labour and back office administration. Our utilization of Entain's operational backbone, for instance, in the area of worldwide trading, as well as to provide us with infrastructure for lower cost customer service operations in Asia, enables us to be very efficient with our human resources investments.

So I hope you can see that we've built a solid and financially robust operation here at BetMGM. We have the flexibility and discipline to focus our capital where we see the best ROI and the ability to grow market share in cost advantageous ways. Our economic model is proving out, and we are set to hit key targets that we have talked about in the past, such as a 20% to 25% market share, CPAs at around \$250 and long-term EBITDA margin over 30%. We've built a great BetMGM team, and we have tremendous support from Entain and MGM to give us unique competitive advantage. I'm excited about this next phase of our growth, in particular, proving our profitability in 2023. Thank you for your time. I look forward to taking your questions shortly, and now back to Adam for some closing remarks.

## Slide 34



Adam Greenblatt:

So that's the end of the set piece materials for today. Our primary objectives were to offer insight into the progress we're making at BetMGM and build further confidence in the achievement of our revenue, market share and profitability targets, while growing responsibly in pursuit of our share of the \$37 billion TAM.

We are fortunate that our shareholders remain fully supportive and committed to BetMGM's success. This means we can continue to be laser focused on the job at hand, capitalizing on our unique assets and advantaged cost structure, and we are. And that means all of us at BetMGM. I continue to marvel at the talent we have in the business, and I'm profoundly grateful for the drive, creativity and discipline I see from colleagues every day. But it's much more than this. There is also a desire to collaborate and support each other all through the business. We have an incredibly positive, transparent and inclusive culture that I believe is a key ingredient in our come-from-behind success story. Thank you, BetMGM'ers. I know I will get mocked by Gary for being too soppy, but you are the best.

With that, I thank you for your attention and hope you have come away sharing our optimism for BetMGM's future. We will now take a 5-minute break and reconvene for the live audio Q&A session.

Slide 35



Operator:

And we'll first hear from Monique Pollard of Citi.

Monique Pollard (Citigroup):

I just had a few. The first one was just to check on your guidance of being EBITDA profitable during 2023. My understanding would be that that doesn't include California opening for online sports betting in 2023, but just wanted to confirm if that's still the case?

The second question I had was whether you were willing to provide the specific number in terms of your CPA currently? I know obviously, you're confident in your long-term target of \$250. But if you can give any colour on sort of where you are versus that long-term target at the moment. That would be very helpful.

And then the final question was just whether you can give us an understanding of the sports versus gaming revenue split that you saw in the business in the first quarter?

Adam Greenblatt:

It's Adam. Thank you for your questions. Just to confirm, our -- we've said that we will reach profitability next year, that we said that at a time where we had not yet made it to the ballot in California. And there's still clearly some uncertainty about that outcome. So our path to profitability next year does not include a launch in California. Clearly if California does get approved, that's great news story for our business. We've demonstrated the state level economics, the unit economics of a new state and obviously, California, we have a good deal of certainty of what the fiscal and regulatory framework will be. So if it does get approved in November, then while, of course, -- it will require investment -- it's a very, very positive story for BetMGM. In terms of your next two questions, we've deliberately shied away from giving that level of detail at this point. Clearly, there are a lot of moving parts, and we will get there in time, but not at this point.

Operator:

Our next question comes from Joe Greff of JPMorgan.

Joe Greff (JPMorgan):

Can you break out what your estimated TAM is for California? And on a revenue per head or for -- spend per head, I think a reference that you had, how does California compare your estimation relative to your existing markets?

Adam Greenblatt:

Joe, sorry, I didn't hear the beginning of that. Could you repeat the beginning of that? It was about California spend per head, but I missed the start.

Joe Greff (JPMorgan):

Let me just rephrase the whole thing. If you can just break out what do you think the TAM is related to California OSB is? And then what that spend per head is for California relative to the rest of the U.S. market?

Adam Greenblatt:

Yes. So the TAM for California, I'll have to come back to you on. Our spend per head assumptions are built around an aggregate view. Within our states, some are higher, some are lower. So what we're saying is that on a U.S.-wide basis, that is our aggregate assumption and we're not going into the ups and downs within that at a state level at this point, but we'll need to come back to you on the TAM for California.

Joe Greff (JPMorgan):

Okay. Great. And then just to get a clarification, you may have said this, I'm sorry, Gary, if I'm making you repeat yourself. But just a comment about EBITDA positive during 2023, can you sort of clarify that, that means you're exiting 2023 being profitable as opposed to being profitable for the entirety of full year 2023?

Adam Greenblatt:

That's exactly it. That's exactly it, Joe. So the expectation is that we will achieve -- Monique's question aside -- putting aside the impact of California, we would expect to be achieving EBITDA profitability as we exit 2023. But not -- we are not guiding to full year profitability at this point.

Operator:

Next, we'll hear from Carlo Santarelli of Deutsche Bank.

Carlo Santarelli (Deutsche Bank):

I don't know who's best to kind of address this one, but I was just curious, within kind of the TAM bridge to EBITDA longer-term projections, what are you kind of assuming for a static promotional reinvestment off of the GGR? And kind of how does that compare to the

extent you're willing to share, where it lies now in terms of promos? And I don't know if that's easier to do on an iCasino versus sports betting business or at an aggregate level? Just kind of some framework around how you're thinking about it would be great.

Adam Greenblatt:

Yes, sure. Thanks for the question, Carlo. Matt, I'm going to hand this to you, but just to lead off, though, these are journeys, the promotional spend moves as the changes evolves, as the state matures, and it is impacted both whether there's a single -- it's a single sports product state or sports and gaming. But Matt, let me hand over to you, please.

Matt Prevost:

Sure. Thanks, Adam. We do expect, over time, bonus as a percent of handle or bonus as a percent of GGR to approach European levels, so what you might see in the U.K. But the key is, as Gary alluded to, that we are, in effect, the portfolio of businesses. And our current promotional expenditure, say, in Ontario, where we just launched about a month ago, will continue to be higher than our established states. We've -- somewhat, like Adam mentioned, we've made a decision not to expose specific details, but we are guiding towards rates that are similar to what we see in the U.K.

Carlo Santarelli (Deutsche Bank):

And those rates would be across kind of sports and the iCasino piece, what would that be approximately at a steady state in the U.K.?

Matt Prevost:

Good question. Most U.K. businesses are in the 25% to 40% range, varies by product, obviously, and by operator. So that's a decent proxy. I know that's a big wide range.

Carlo Santarelli (Deutsche Bank):

No. Okay. That's fine. I knew that was the range, but that's across both, that's blending iCasino and sports together, correct?

Matt Prevost:

Correct. Correct.

Operator:

And next, we'll hear from Shaun Kelley of Bank of America.

Shaun Kelley (BofA):

Two questions for me. First would be a strategic one, maybe for you, Adam. In your prepared remarks, you talked about player participation. I think specifically, you said something to the line of U.S. penetration in active state still lags player participation in the international markets. Just wondering if you could elaborate a little bit on that and some of the experience you might have or insight you might have from Entain and in the U.K. about how that could evolve? And then I have a financial one as a follow-up.

Adam Greenblatt:

Of course. Of course. Look, for me, this is a really exciting part of this journey we're on. And it's a comment on how albeit we've started fast, how relatively early on in the journey we are here in the U.S. So I'll give you a -- the data point I have, which is just -- blow me over one is in the U.K., the estimate is that 15% of the adult population participate in some form of non-lottery gaming, online gaming, that's 15% of the adult population. And so if you work that back from where we are in the U.S., triangulate what current actives are based on the disclosure that you've seen from some of our competitors, their market share, basically gross up into a -- well, this is about the level of active participation today, work that out as a percentage of that adult populations that has access to the product. And you'll see -- I hope you'll see that we -- why we believe that there's a long way to go.

Shaun Kelley (BofA):

Just clarifying that, is it -- is the opportunity then in just new states that don't have access? Or is it that number is materially lower in existing states when you're looking at your actives in those states today?

Adam Greenblatt:

It's the latter. It's -- we have -- while we have started fast, the number of adults participating is way less than the data point we have in other much more mature markets, markets in the U.K., where it's been available for 15-plus years. It really becomes part of the leisure conversation, part of the leisure basket and much broad-based participation.

Shaun Kelley (BofA):

Understood. And then my follow-up would just be on some of the financial details that were given. Gary, I think you obviously provided a lot of detail on that long-term bridge. I wanted to see if you could specifically comment around product and technology costs. I like the way that you laid out the comparatives relative to where you might be without the scale of Entain in some cases and MGM in others. Could you help us think about product and technology or sort of engineering investments? Is that also an area where that bridge has meaningful efficiency relative to if you had to develop all that in-house or stand-alone because of what you're able to leverage from Entain? Any thoughts or parameters you could give us around that would be helpful.

Gary Deutsch:

Sure. Thanks, Shaun. So there's a couple of different ways you can look at it. One is you say what if we were building it all ourselves and we had the team and most of the stuff was going onto CapEx. There's other ways you could look at it if we were to buy it as a licensing deal from another provider. But it's more than that and what we get from Entain. if you look at some industry reports that are out there for what a view on the percentage of revenue that goes to tech platform costs in an OpEx environment, you'll see numbers like 4% or 5%. But that, I think, undersells where we are in terms of the overall leverage we get from the different components of operations, where we get best practices, where we

get some expertise, where we can leverage scale and we've mentioned, the payment processing is one where we can leverage Entain scale. We made mention of using their backbone so we can set up our own operation in Asia for operations. There are certain things on the worldwide trading that we get, there's round the world monitoring. So we specifically didn't put a number to it because we believe it's distinctly above what you see in these reports. It's definitely north of 4% and somewhere gives us the comfort that when you think about us on an apples-to-apples basis with competitors, we have a distinct EBITDA margin advantage there.

Operator:

And next question from Robin Farley of UBS.

Robin Farley (UBS):

Great. Just a follow-up on the potential for California. And obviously, that would add significantly to the TAM. I'm just wondering if you would expect that would kind of push back the positive EBITDA target by 12 months or less than that or more than that? Just to kind of give a sense of what you're expecting in terms of investment in that market.

Adam Greenblatt:

Robin, thank you for that question. It gives me a chance to respond to Joe's earlier question on California TAM as well. The -- based on population, adult population and our spend per head assumption of \$90, we were expecting California TAM to amount to somewhere between \$2.5 billion and \$3 billion. That's the first point. Then I would go back to you, Gary, in a moment. But the way to think about it, Robin, is that it's the time for at a state level to reach that inflection point of contribution positive. So Gary, would you like to just remind the group of that, please?

Gary Deutsch:

Just on the timeline to contribution positive?

Adam Greenblatt:

Exactly.

Gary Deutsch:

So for sports, we expect to be contribution-positive in I think what we say in 12 to 18 months or roughly in the neighbourhood for -- up to 24 months for sports. And then as fast as 14 months for gaming. And what happens is that the states can become contribution-positive fairly quickly, it depends on the level of continued intensity of customer acquisition during the earlier phase. So some first out of the gate very fast, which is somewhat something of what we saw in Arizona, will be through that period and will get into contribution-positive fairly quickly. But the timeline of getting there, as we cover the acquisition cost of the new players, fairly quickly. And then one of the issues that we've had just through the promotional environment in Q4 and Q1 at the amount of gig we did on the promotional spend, which leaves us with some greater number to pay back on

accumulative analysis, that's pushed us a little bit longer for some of those states we've been in now. But our timeline for sports getting to contribution-positive 18 months-ish and gaming less than that.

Adam Greenblatt:

And if I can just punctuate with one observation, as you can probably hear, we're very, very excited about California. Why? Because of also its proximity to our heartland, our MGM Resort heartland of Las Vegas. So we over-index -- California over-indexes within our MGM rewards database. And clearly, there's a lot of drive in traffic that we would seek to capitalize on. And the so what of all that is that it reduces our cost of establishing our player base in the state. So our path to state level contribution positive and payback is, therefore, shortened because the cost side of establishing ourselves in that market is reduced because of our advantaged structure.

Robin Farley (UBS):

Great. That's helpful. And then just one follow-up. The \$250, that's your long-term target for acquisition cost. Is that what you expect for states just with online sports betting? Or are you willing to invest more than that for states with iGaming currently or more for states that could eventually have iGaming? In other words, based on the sort of per capita spend, right? You have iGaming being something like 80% higher revenue per capita spend than online sports betting. Just wondering how we should think about that? The -- what you're willing to spend to acquire that customer with or without the iGaming piece of it.

Adam Greenblatt:

Thanks for the question. Matt. Can I hand to you, Matt?

Matt Prevost:

Certainly. That's a blended number, \$250. We expect to achieve that over time across both businesses

Robin Farley (UBS):

So that assumes the state would have both streams of business, is that correct?

Matt Prevost:

No. I'm sorry. If you look across all of BetMGM, we expect to have a number of iGaming states and a number of sports and iGaming -- or a number of sports states. The \$250 is a total blended number across all of BetMGM, all, states.

Robin Farley (UBS):

Based on what's legal now, basically?

Matt Prevost:

Based on our forecast of what will be legal.

Gary Deutsch:

This is Gary. Just so you're clear, looking at our projections model, given what you cited about the fact that player values are higher, we do have a higher expected CPA through the near horizon for iGaming players than for sports players. So that is recognized and then it blends down over -- it blends together over time, as Matt's saying. But -- and we've seen times where \$250 actually happens. So -- it's getting close.

Operator:

Kiranjot Grewal of Bank of America.

Kiranjot Grewal (BofA):

Just two questions from me. Firstly, you mentioned some figures around your cost breakdown, which was really helpful, just bridging it toward your EBITDA margins. Could you just repeat those figures around the payment processing and the loyalty fees? And then the second one is around your comment around iGaming payback being a lot shorter than sports betting. Could you perhaps comment on what's causing the difference? And as iGaming has a shorter payback, do you expect this portion of the market to become increasingly competitive over time?

Adam Greenblatt:

Okay. Gary, do you want to tackle the financial components of those first and then Matt, will you take on the expectation of iGaming competitiveness as we look to the future?

Gary Deutsch:

Yes. So the -- on the cost of the ones I highlighted, payment processing, we see going towards 7% of revenue over time. It's certainly higher than that right now, and that's a move as we get there and we get more scale. But as I also noted, we've made some good progress getting from our industry partners to understand the unique nature of how we compare to their other customers and adjusting pricing models to match with that, which is going to drive some big savings this year. I think I noted that the marketing cost as a percentage of revenue, we're targeting 14% over time. And those are the two specific ones I have even on the way through. And yes, I mean, it's the fact that the monthly NGR per player in iCasino, iGaming is much higher right now than sports, and that's clearly driving the payback periods and the -- to a much faster level right now.

Kiranjot Grewal (BofA):

Perfect. I think during when you have the bridge, you mentioned that you're getting like a 6% -- sort of 6% benefit in total from all those components versus peers?

Gary Deutsch:

Yes. So we -- when we quantify this and we go up and down the P&L, we noted that there's 2 to 3 percentage points of benefit to margin from marketing and the benefits we get from the access to the players to MGM and the tools and methods that are powered by Entain technology that's a big one, the leverage and the scale that we get by attaching some of our payments deals to Entain's global scale gets us a point there. We think that when you look at the states that we're active in that have MGM land-based casinos, off which we leverage their licenses that gets us to another couple of points of benefit to EBITDA margins. So that's -- and then there's a casino royalties that we don't pay on Entain provided games, which is a significant portion of the revenue driven through iCasino. So that is where we got to the 6 to 7 points of benefit. And then back to the prior question about quantification of the Entain technology, which materially north of 4%, that's where you get to what we feel is real comfort that the 30-plus -- 30% to 35% EBITDA margin, we're targeting are achievable.

Adam Greenblatt:

Yes. Kiranjot, let me come over the top just briefly. As we were coming into this, we've had lots of questions around, look, it's 30% plus a guided range of 30% to 35% EBITDA margin achievable. And so we looked inward to say, look, what do we need to believe that BetMGM has -- how do we quantify our structural advantages and therefore, what do you need to believe to get to support that kind of target. And so what Gary set out is to say, look, on a like-for-like basis with others, we have 6% to 7% of the of margin based on the things that Gary just talked you through. On top of that, we have probably -- and I'm going to put a number out somewhere between 7% and 12% margin linked to the provision of technology, which we don't pay, right? So we're north -- well north of 10% margin because of the way we are structured and the benefits we get from our shareholders. So our net-net 30% to 35% margin target takes into account that structural benefits. And that's really the -- what we've been trying to communicate.

Kiranjot Grewal (BofA):

Yes. That's what I was trying to understand. So do I add the tech benefit to the 6% to 7%? Or is it just a 6% to 7%?

Adam Greenblatt:

Yes. Yes. You add it. Matt, as we look to the future, more or less competition in gaming.

Matt Prevost:

Definitely more competition in gaming. We see an increasing number of competitors there. Again, I think some of the benefits we just talked through from our parents really help us. We enjoy the benefits of scale. We also enjoy all the proprietary content we get from the studios at Entain. And frankly, as it relates to omnichannel, our biggest successes have been from converting the MGM base of hosted players that are very familiar with the casino environment into an online experience, and we expect that to continue.

Operator:

Next, we'll hear from Simon Davies of Deutsche Bank.

Simon Davies (Deutsche Bank):

A few from me. Firstly, Ontario, you're talking about how successful the launch has been. Are there any other markets that you might consider moving into national markets? I think you most obviously, Latin America. Is that something that you would consider or indeed be allowed to by your parents?

Adam Greenblatt:

Currently, the -- our -- BetMGM's exclusive jurisdiction for all things iGaming and sports betting in the U.S., We have -- our shareholders have agreed specifically to that BetMGM can compete in Canada. And then from a geographic perspective, that's about as far as we've got so far, does it make sense to look south so that's a conversation for our shareholders.

Simon Davies (Deutsche Bank):

Great. And secondly, any bottlenecks in the business? Obviously, you've been expanding at a hell of a pace. Any issues in terms of your ability to recruit particular technology staff?

Adam Greenblatt:

We've had consistently probably 50 to 80 roles open for 18 months, right? It has been challenging to keep up with the exponential growth of our business. But as I said in my closing remarks, I think we've done an incredible job. Our talent acquisition group are just superstars, and we've been able to bring really top talent into the business. And so we feel good about that. So no real bottlenecks that we can see.

Simon Davies (Deutsche Bank):

And lastly and very briefly, your 30% EBITDA margin target, and you talked about that being long term. When do you think it is achievable?

Gary Deutsch:

I think we're going to going to cross the bridge into EBITDA positive towards the second half of next year. And then we'll see how that 30% over a couple of years beyond that. We'll see how things play out. Obviously, there's the California discussion and other aspects, but certainly, if you think about what one would consider the horizon for a strategic plan, we hit it within a reasonable horizon of one doing a strategic plan.

Operator:

Next, we'll hear from Dan Politzer of Wells Fargo.

Daniel Politzer (Wells Fargo):

So I just wanted to follow up on the 2022 revenue guide. It sounded like the mix has differed a little bit, lessor focus on New York, higher focus on higher ROI customers and a

couple of states pushed out from 2022 to 2023. Given these kind of puts and takes, why is the EBITDA not improving versus the prior guidance for similar to 2021?

Gary Deutsch:

Yes. I mean, we're looking at -- we're actually acquiring more players than we expected in -- coming into the year. So there's no -- I'm not making the leap to where -- as we look at the players we're building, when we look at our plans, it's interesting. So the -- when we diagnose sort of the path to profit for the business, thinking about all the different normal things we would want to look at, we'd obviously look at CPAs, we'd look at churn curves, we'd look at the evolution of player spend and promotional environment. And all of these metrics, have really been tracking at or better than planned. And when we look at the one place which we've highlighted a couple of times in the presentation, it's the bonusing as a percentage of revenue in Q4 and Q1 is the one place that the metrics were off, sort of our diagnosed plan to profit. So we put in all of the different inputs for what the new states offer us, we put in some accentuated opportunities in states that we had lighter than we thought before in terms of acquisition numbers to target, our CPAs, which have been trending better, everything against that, we tune out the fact that we had a deeper dig in '22, Q1 in terms of the bonusing. But now we see that ebbing and you put it through the machine, and there's nothing different about the machine except the starting point. But now that we're back on track really with bonusing and getting tighter, it comes out very similar. And to some degree, it's a -- it's an amalgamation as we were saying of all the layers of cohorts and all the different players coming together from the different states. So we end up at basically the same place. But it's no -- there's no change in assumptions, it's the same basic model and it gets us to the same rough EBITDA as we sort of trade out some players in and some players out.

Daniel Politzer (Wells Fargo):

Got it. So it sounds like it's quarter specific to the first part of the year. And then just for my follow-up, you mentioned your contribution-positive in New Jersey, Michigan and should be in a few other states this year. I mean, some of the older states that launched Pennsylvania, that has both iGaming and sports betting in Indiana, I mean, what's kind of the path or set up for becoming positive in those states if you're not already?

Adam Greenblatt:

Yes. Gary?

Gary Deutsch:

I'll just comment on -- I mean we'll hit it in Pennsylvania as well. So you're rightly knowing now we're starting to hit ones this year that are sports only. I'll hand to Adam and Matt for the question on sort of what you're getting at with some of the older states.

Adam Greenblatt:

Matt, do you want to take it?

Matt Prevost:

Yes. What we're seeing is that in Indiana, we are still in a bit of investment mode, to be honest, player value hasn't been as high as we initially expected. So that State has probably an elongated payback curve versus our expectation. But again, reiterating what Gary said, we do feel good about our prospects towards profitability in Pennsylvania, particularly with all the cross-sell efforts into gaming and also the fact we have the Borgata brand live in that state as well.

Adam Greenblatt:

And if I can contribute too, remember, Indiana was a state that we were a late arrival to. And so -- and our current position in that state, I think, reflects some of that. As we've said again and again, we are demonstrating our ability to get ready and participate and compete hard, right from the get go these days. And so as we look to our future, there's new states coming down the pipe, it's -- the models to look at are other states, where we were live and fighting from day 1. And I think our positive profitability in those make for a compelling case.

Operator:

Next, we'll hear from Richard Stuber of Numis.

Richard Stuber (Numis):

Two for me, please. First of all, could you tell us how material Live Casino is within iGaming? And how do you expect to evolve over time? And how different are Live Casino margins versus sort of normal iGaming margins? And the second question, just to really follow on from Simon's question about when you achieve a long-term EBITDA margin. Could you just clarify when you think the U.S. reaches your long-term TAM guidance?

Adam Greenblatt:

Why don't I deal with the first one -- the second question first, and then the Live Casino, just to confirm, it was percentage of -- it was Live Casino margin for the second part. What was the first part of your question, please?

Richard Stuber (Numis):

Just how this -- what proportion of iGaming is Live Casino?

Adam Greenblatt:

The portion of iGaming. Okay.

Richard Stuber (Numis):

Yes. Is it getting larger.

Adam Greenblatt:

Of course. I'll come back to you on the -- I'll hand to you, please, for the proportion of iGaming is live and live margins. In terms of when do we achieve our TAM, we've looked out until 2030. in the way we've looked at TAM. The rationale for this is that we're -- certainly, I'm not clever enough to be able to pick a moment in time beyond really the next couple of years of when a state is likely to launch. And so in order to establish our TAM, we've answered a -- what we think is an easier question to get right, which is based on what we know, everything we can see in a state is it likely in that kind of time horizon, to get there, i.e., to legislate and regulate sports betting and iGaming. And we looked at each of those by state on a bottom-up basis. So really, our TAM is out to 2030, because we thought bringing down the guillotine sooner than that means that we're likely to cut off some of those which -- some of those States which we do believe we'll get there, but have a longer and perhaps more complex path to navigate. And Matt, Gary proportion of live?

Matt Prevost:

So live dealer, like in European markets, the average player value who participates in live dealer is higher. We see, in total, 10% to 20% of our gaming revenue coming through live dealer. Lots of variability by state, live dealer is one of those environments where we are governed by regulators in terms of what -- how many tables we're allowed to bring to market and whatnot. So that is -- we're very bullish about our opportunities with live dealer, but it's going to be about 10% to 20% in total.

Operator:

Next, we'll hear from Stephen Grambling of Goldman Sachs.

Stephen Grambling (Goldman Sachs):

One of the areas of pushback we sometimes get on the industry more broadly is that perhaps the U.S. has captured the low-hanging fruit, if you will, in the initial launches. Can you help us understand, one, how many monthly active users you have currently? How you might expect that to grow versus spend per user, particularly in the more mature markets?

Adam Greenblatt:

Yes. So we're not disclosing our monthly actives, albeit that's the basis on which our model has been built. The growth in our actives base -- the growth in the actives base, I think we have said that, I think, in Gary's section, we are growing our actives base, faster than any -- all of our leading competitors.

Gary Deutsch:

I mean to show the revenue spend, brought up like the oldest group of customers, they're continuing to spend. But we're still adding significant like if you look at through the Super Bowl and March Madness in the same stores, we're still adding significant growth to actives.

Adam Greenblatt:

And then if I can just -- last point, I think, on this one for me is the low-hanging fruit can be interpreted in a number of ways. I mean, what we've seen in other international markets is that as sports betting and iGaming becomes more deeply penetrated into the population, what we find is the increase in retail, the retail market, the leisure player is actually a high-margin player. So in terms of low-hanging fruit, I think those with a high propensity to engage, but over time, what we see is the propensity to engage becomes much broader. And the quality, the nature of that player is different from those oftentimes who have the highest propensity to engage. So there's a lot of valuable player and retail play, i.e., not shop play as penetration increases. So that's one to keep in mind as well.

Stephen Grambling (Goldman Sachs):

That's helpful. And maybe one other if I can sneak it in there. So I think the implied contribution mix between MGM source and non-source looking at your CPA, PN, GR and then having 20% of customers previously visiting the property would imply that about 67% of your profitability comes from MGM sourced customers. One, is that directionally accurate? And two, how do you think this mix changes over time? Or have you seen that mix in terms of profitability change over time in the more mature markets?

Adam Greenblatt:

Stephen, I don't have the calculation in front of me. So I wouldn't want to comment on the 67% of profitability from MGM customers. I mean, what we would say, Matt, chime in as you deem appropriate, this is an important part of our recipe. Omnichannel, you heard is a key point of difference for us. And by definition, omnichannel means there is a relationship with MGM Resorts properties, and that's good for us, both in terms of cost of acquisition, also engagement with brand, also lifetime value. And so this is definitely something that we are very, very focused on, leaning into. As regards to the specific percentage of profitability, I can't comment to that, I don't have the calculation with me right now.

Matt Prevost:

Just the only addition is, again, as we look ahead to states that appear to be close to regulation, we get Ohio, Maryland, Massachusetts, all MGM states, potentially in New York, and again, California with close proximity to Vegas, our omnichannel efforts are going to be incredibly important to us going forward.

Operator:

Our next question comes from Barry Jonas of Truist Securities.

Barry Jonas (Truist Securities):

Great. Is it possible to get any more colour on the launch in Ontario? Are there any other state launches in the U.S. you might compare to so far? And how do you think about the path of converting customers from the grey market to BetMGM?

Adam Greenblatt:

Yes. You've already hit the key points in your question. Ontario was fully formed before we got there, right? And which is why it's in that context, we are, as I said in my set piece remarks, just so delighted with the business, which is now, what, 5 weeks old? BetMGM, which came from nowhere within 5 weeks. I mean I'll give you some data candy. So yesterday, we -- between our sports betting, our casino and our poker business, we did almost 2 million bets, 2 million transactions, right? I think that's a good number from a standing start. We're -- and we're seeing thousands of players every day, thousands of actives every day. Notwithstanding an inability to offer promotions, our daily registrations and first-time deposits are very strong. And what's equally and linked to our -- my message about operational excellence, what's equally encouraging for me is that our registration to first-time deposit conversion rate has been at or ahead of our U.S. states. So the recipe is working again. We are seeing igaming go a little bit faster than sports betting on a relative basis. Yes. But I think that's -- because it was fully formed when we got there, it's different from any of the U.S. states. I don't think there is an analogy for us at this time.

Barry Jonas (Truist Securities):

Got it. Got it. Okay. I appreciate that. And then just any thoughts on the MGM LeoVegas deal and how that could impact you, if at all? Obviously, different geographies, but could we see any interactions there?

Adam Greenblatt:

Barry, thank you. I can't believe it's been 40 minutes, and we only got the LeoVegas question now. No, no, BetMGM, as I said, we have BetMGM is exclusive in the U.S. for our product set. And so really, this is -- it doesn't really affect us. It doesn't -- I don't anticipate it will have an impact on BetMGM at all. MGM and Entain remain fully committed to seeing the success of BetMGM here in our markets. And where is there an impact? Well, north of the border in Canada, LeoVegas has an active and strong market position, but that's not really changed with MGM's ownership. That's really the existing competitive set and the change of ownership doesn't change their market position. So that's not really affected. So no, we're continuing to execute on our plan and don't anticipate any changes as a result.

Operator:

And that does conclude the question-and-answer session. At this time, I'd like to turn the call back over to Adam for any additional or closing comments.

Adam Greenblatt:

Well, I firstly, thank you for joining. And I hope this has been helpful and you've come away sharing our optimism about BetMGM's future, our leadership ambitions, the credibility of those ambitions and our path to meaningful profitability. So with that, just again, thank you for joining us today. Be safe, be well and look forward to next year. Bye-bye.

Operator:

That does conclude today's conference. Thank you all for your participation. You may now disconnect.