TRANSCRIPT

07 - 29 - 2025

BetMGM, LLC

BetMGM Q2 2025 Financial Update

TOTAL PAGES: 28

BetMGM, LLC

BetMGM Q2 2025 Financial Update

CORPORATE SPEAKERS:

Adam Greenblatt
BetMGM, LLC; Chief Executive Officer
Gary Deutsch
BetMGM, LLC; Chief Financial Officer

PARTICIPANTS:

Ed Young
Morgan Stanley; Analyst
Dan Politzer
JPMorgan; Analyst
Ben Shelley
UBS; Director, European Leisure, Media & Internet Equity Research
Barry Jonas
Truist Securities; Managing Director
Joe Stauff
Susquehanna; Analyst
David Katz
Jefferies; Managing Director
Monique Pollard
Citi; Director
Brandt Montour
Barclays; Director, Equity Research, Gaming, Lodging & Leisure
Adrien de Saint Hilaire
Bank of America; Analyst
Shaun Kelly
Bank of America; Managing Director

PRESENTATION:

Operator^ Hello and thank you for standing by. My name is Tiffany and I'll be your conference operator today. At this time, I would like to welcome everyone to the BetMGM Second Quarter First Half Business Update Call. (Operator Instructions)

I would now like to turn the call over to Adam Greenblatt, Chief Executive Officer of BetMGM. Adam, please go ahead.

BetMGM, LLC

BetMGM Q2 2025 Financial Update

Adam Greenblatt^ Good morning, everyone. Thank you for joining today's call. It's a pleasure to be here with you as we review our performance in the second quarter and during the first half of 2025.

As you will have seen from recent communications, including our guidance upgrade in June and our press release this morning, our business has truly inflected and is delivering strong revenue growth and material cash flow.

While only Gary and I are the ones here with you today, I want to take a moment to recognize that this performance would not be possible without the dedication and hard work of all our talented BetMGM colleagues, along with the support provided by both of our parent companies.

So to kick off, I'll hit the headlines of our performance through the first half, as well as our increased confidence in the outlook for the rest of the year.

We carried accelerating momentum from the first quarter into the second quarter, resulting in second quarter revenue of $692 million, up 36% from last year, following the first quarter's year-over-year growth of 34%. In total, the two quarters delivered net revenue for the first half of $1.349 billion, and that's up 35% year-on-year.

EBITDA for the first half was $109 million, with the second quarter reporting a fantastic $86 million of EBITDA. The second quarter was clearly very strong.

While our OSB margin across the first half overall was normal, margin was elevated in Q2 with a particularly strong June.

During the first half, our strong revenue growth was coupled with more efficient marketing spend, and the flow through of incremental revenue versus last year jumped significantly up to 66%.

Our iGaming business grew 28% in the first half year-on-year, accelerating from 27% growth in the first quarter to 29% in Q2 despite no new state launches. This performance was driven by strong player acquisition at attractive payback economics and healthy engagement KPIs that were underpinned by improved player management, best-in-class exclusive content, and differentiated engagement tools that drive activity and retention.

In Online Sports, the strategic narratives we articulated early this year being improved marketing efficiency and player management, brand positioning towards premium mass, and steady product and platform improvements, have come together to exceed our original expectations. These factors combined with a natural progression of our cohort-based business model drove 61% OSB NGR growth in the first half compared to the first half of 2024.

Given our first half performance, the underlying trends we are seeing and expectation of continued strong execution against our strategic plan, we're upgrading our 2025 full-year guidance. We now expect at least $2.7 billion of net revenue, which represent at least 28% revenue growth year-on-year. Our upgraded EBITDA guidance is at least $150 million, a year-on-year improvement of nearly $400 million. We anticipate achieving north of $500 million of contribution and reiterate that both Online Sports and iGaming will be contribution positive for the full year.

The strong financial performance means we also expect to keep our $150 million line of credit undrawn. As for the subject of our $500 million target for annual EBITDA, we aren't yet going to pin the tail on the calendar, but we do have increased conviction that that goal will be achieved in the coming years. As always, we remain disciplined and continue to consider any changes in the landscape around us, including changes of launch dates, incremental investment opportunities, tax risks, and the impact of adjacent businesses to our sector.

The next slides touch on our progress across iGaming, Online Sports, and omnichannel. Then I'll pass to Gary, who will dive deeper into our financial performance, including the improvements in operating efficiency that are showcased in our second quarter results.

iGaming remains the contribution engine of our business and we continue to invest behind our strong market position. As a headline, in the second quarter, we achieved $449 million of net revenue, up 29% over the last year. Consequently, the first half came in at $891 million of net revenue and that's up 28% year-on-year, as well as delivering over $260 million in contribution.

The underlying story here is consistent with our plan. We acquired and retained more players in the first half to the tune of 38% growth in monthly actives, who stayed and played with us for longer. In fact, our players engaged with us on average for 34% more days each month versus last year, as well as played more hands or spins during each visit. Simply put, our strong NGR growth was delivered by a larger and broader pool of players whose economics and payback period remain highly attractive.

An example of our strategy's effectiveness is seen through this year's new player values, which are higher versus last year's. This contrasts with a typical dynamic of new players generating lower average monthly revenue versus older cohorts, as states begin to mature.

The growth in these metrics can be attributed to operational success in four key areas. We continue to offer an unparalleled library of content that only BetMGM can offer. Our portfolio of slots titles utilizing IP from the "Wizard of Oz" franchise has broken record after record since launch, and there's more to come soon from our partnerships with "The Price is Right" and "Family Feud" franchises.

Internally, we also have access to four studios via our Entain and MGM Resorts, and are excited about building specific games for both the U.S. and Canada.

Second, a key element, improving stickiness is our creativity and innovation around our player engagement tools. Active player days and overall retention have both increased.

Third, we continue to invest to expand our Live Dealer business with first half GGR growing strongly year-on-year.

And finally, better cross-sell. By being better at targeting and showcasing casino promotions in our Sports offering, in the first half, our multi-product states saw an increase of over 10 percentage points of online sports players who are also active in iGaming. We are the destination for all iGaming players and as progress and success reinforce that statement.

Similar to iGaming, we're incredibly pleased with our progress and performance in online sports. Following strong growth in the first quarter, we achieved $228 million of net revenue in the second quarter, and that's up 56% year-on-year. For the first half, we reported $422 million of net revenue, up 61%. Our handle was up a huge 27% versus first half last year, and OSB also delivered positive contribution. This performance reflects our significant progress against our strategic plan, and I want to take a few moments to explain what's changed this year in OSB verse last year.

It's an interesting question. How did we reduce OSB marketing, deliberately reduce our overall base of active players, and also grow revenue by over 60% in the first half? The answer has a number of components.

In acquisition, we become more efficient at acquiring the higher-value, real-money players that fall into the premium mass category we've discussed, and this is a function of our refinements in brand positioning as well as the targeting of our marketing spend, and the mechanics and value of our acquisition offers.

In new player retention and management, our data and analytical tools have evolved to the point where we're able to identify the value of players in each new cohort very early in their lives, and also right-size the reinvestment amount and cadence, so as to avoid investment in unprofitable players and over investment in profitable players where it is not required. This better targeting and player management have combined to significantly improve the payback periods and ROIs for the new player cohorts we've added. This improved capability and approach really started back last fall and we've been refining it all the way through 2025 and the results, frankly, speak for themselves.

The new cohorts we've added in the first half of 2025 have had a much bigger impact on revenue growth than those from last year. Our player management work has also helped us improve the performance of our more tenured cohorts these past few quarters. We've become more effective at getting the right rewards to the right players, which has increased the value of a proportion of these longstanding players. This right-sizing of reinvestment has driven real gains that are now just BetMGM standard operating practice.

Essential to our big handle growth is that our product also made broad strides across app speed and performance, market availability, and discovery, and overall parlay capabilities too. These improvements are clearly evidenced in our engagement metrics.

In the first half, our players engaged with us on average 14% more in terms of active player days and placed 24% more bets on average versus last year. We see it in our product mix metrics too. Our parlay bet mix is up nearly five percentage points and our availability of markets for live betting during the recent NBA season increased significantly.

Simply put, our app is quicker, more featured, and more fun. But we're not resting on our laurels as we look to the rest of 2025. We will continue to deliver more, faster and better.

For example, we're delivering feature improvements to our quick bet and best slip experiences, expanding in-play capabilities, providing player and game insights to informed wagering, streamlining the user experience, and elevating our player rewards program. Our players are going to love it.

To conclude, I want to highlight a couple of key points about marketing going forward. Of course, the year-over-year decline in OSB marketing spend from our recalibration has helped EBITDA this year, but we're at about the right level for BetMGM for now. So you should not expect further reductions in marketing spend to be the driver of EBITDA growth. It's critical we continue to replenish and refresh our player base that will grow in the years ahead.

What's tremendously exciting is that we are now successfully and consistently demonstrating that we are balancing to an optimal blend of branding, communications, strategies, promotional design, and player development, which is driving a more effective dollar-for-dollar return on marketing spend.

As I've said previously, our third pillar, unlocking our advantage in omnichannel is all about amplifying the superpower with MGM Resorts rooted in our deep Las Vegas ties and presence. I'm proud to say we've become even stronger across all touch points so far this year.

Key programs drove our progress, including our live activations during 10 poll events at MGM's renowned properties. These serve as both powerful acquisition tools and exclusive experiences for our valued players. For example, our March Madness opening weekend events fueled BetMGM record number of Nevada first-time depositors growing strongly year-on-year.

Second, we're optimizing the Las Vegas flywheel by providing the best digital offering in Nevada and a seamless experience, whether you are playing with us during your visit or continuing to play when you return home. This always on experience enables players to play more, earn more loyalty and reward points, and redeem more omnichannel crossover products and experiences. This pool of customers is a focus area for us and we've seen meaningful uplifts in key metrics in the half, including 30% growth in Nevada monthly actives and a 4x increase in the number of Nevada actives who continued playing with us when they returned to their home state.

Third, we continue to harness the power of retail to digital and vice versa via a robust portfolio of hybrid game titles. Our omnichannel games account for nearly half of our top-20 grossing titles, including our recently launched "Wizard of Oz" title that I spoke to a couple of slides ago.

And our fourth key program is our differentiated live dealer offering. In April, MGM Resorts launched an immersive studio within the MGM Grand in partnership with Playtech for our players in Ontario. While it doesn't replace the magic of an in-person experience, it brings a little bit of that magic to our BetMGM Ontario players in between trips. And during the back half of the year, we'll be launching an exciting new game with the "Family Feud" franchise directly from this new studio.

With that, I'll hand over to Gary to dive deeper into the numbers.

Gary Deutsch^ Thanks, Adam. To start, please note that our explanation of how our figures relate to GAAP as well as our definition of contribution are provided in the materials accompanying this presentation.

BetMGM, LLC

BetMGM Q2 2025 Financial Update

Financially, BetMGM has had a very strong start to the year with a good first quarter being followed by an even better second quarter. The plan that our team wrote for 2025 has jumped off the page in real life with an even greater exuberance than we had anticipated.

Adam has covered a lot of numbers already and I will return to the main figures from our financial statements on the next slide. But I want to briefly reiterate the key levers that have driven our accelerating performance in 2025 so far.

In iGaming, we've motored forward largely driven by both new player acquisition and player values being higher than expected. Average monthly actives and our NGR per player per month metric have been very strong. This powerful combination delivered iGaming NGR growth of 28% versus 2024's first half.

For OSB, our refined marketing and player management strategies are clearly working in concert with our product improvements. During our Investor Call in February, I highlighted the players who had already entered the tent before 2025 would drive significant revenue growth in this year. That's exactly what we've seen in the first half. The changes we started making during last football season built potential energy, which has indeed transformed into kinetic energy this year. The retention of quality real-money betters in OSB is also extremely encouraging.

Our premium mass focus for OSB, particularly in the OSB-only states, has purposely shared lower value players. As a result, we've seen strong upticks in per player handle and NGR metrics for our cohorts.

Further, we also retained a larger than expected base of high-quality players. As planned, we decreased our player acquisition numbers versus last year. However, we still beat our 2025 internal targets for new player acquisition without running over on acquisition spend. I want to highlight that our OSB revenue growth was not flattered by good luck results.

First half GGR hold was 8.9%, broadly flat versus 9.0 last year. The house favorable Q2 results offset the opposite in Q1. In the most simple economic terms, our big growth was driven by player management that reduced average monthly actives by 5%, but pushed NGR margin up from 4.4% to 5.6% and by our big 27% handle jump over the first half of '24.

As a reminder, in comparison to our OSB competitors, we believe our average player is higher staking and lower margin, and although product enhancements are on SGPs and parlay bets are driving up parlay adoption, number of bets in handle, as well as improving our theo margin, we continue to see strong growth in pre-game and live [six] bets. So expect aggregate win margin to remain relatively stable, which is consistent with our strategy.

Okay, onto the P&L figures.

Let's kick off with our second quarter EBITDA of $86 million that led to first half EBITDA of $109 million. Q2 was obviously a really great quarter for us with sports results going in our favor during the latter part of the quarter. Q2's year-on-year revenue growth exceeded Q1's, coming in strongly ahead of expectations at 36%.

For the second quarter, total revenue was $692 million with iGaming delivering $449 million and OSB $228 million, while retail and other revenue was slightly down year-over-year at $16 million.

Kicking off the first half figures, total revenue was $1.35 billion, plus 35% versus first half of '24. iGaming was plus 28% at $891 million. OSB was plus 61% at $422 million. And retail and other was down 15% at $36 million. Our total contribution in the first half was over $300 million, more than 4.5x that of 2024's first half. iGaming was very contribution positive and pleasingly, OSB was also contribution positive, which obviously reinforces our confidence and our expectations of OSB being contribution positive for the full year.

The great thing about OSB-only states beyond the fact that we've tuned our business model in them to drive both high revenue growth and positive contribution is the option value they represent as additional states eventually start to legalize iGaming. Because of OSB, we have a large footprint of valuable customer relationships with likely iGaming players if their states go multi-product.

BetMGM, LLC

BetMGM Q2 2025 Financial Update

At its most basic, our $232 million year-over-year improvement in first half EBITDA was achieved by the combination of stronger than expected revenue growth and the lower, more efficient marketing spend. In 2025 so far, new cohorts are generating much more revenue out of the gate compared to both last year and our expectations.

You'll note that the bottom of the table includes capital expenditures to provide additional transparency on our cash flow. Our $150 million credit facility remains undrawn. In fact, with over $150 million of EBITDA being generated this year, we may be in position relatively soon where we could start returning cash to Entain and MGM Resorts.

And finally, onto how we see the rest of the year. We've increased our full-year revenue guidance to at least $2.7 billion. We are both confident and optimistic about our revenue engine going into football. Do note though, with the impact of summer and the promotional weight on revenue from NFL acquisition and reactivation campaigns, Q3 is expected to be our lightest revenue quarter of the year. As usual, Q4 is expected to be our biggest.

Given the importance of football season to our business, we think it's imprudent to deliver guidance that we consider to be conservative at this point in the year. That said, we continue to see that the momentum in the business remains as strong as it's ever been, particularly as evidenced by the underlying health of our player cohorts across both iGaming and OSB.

Be aware that our year-over-year comparisons get tougher in the second half. We should revert to more normalized levels of growth as we lap last year's Q3, which had abnormally high OSB margin and Q4 during which we were beginning to see benefits from the operational initiatives we've been discussing today.

As mentioned a couple of times, we've upgraded our EBITDA guidance for the year. We now expect 2025 EBITDA to be at least $150 million.

Two main factors are expected to make second half EBITDA lower than first half. First, higher gaming tax rates, particularly in New Jersey where we have a very large business and in some other states too, including Illinois. Second, the Q4 launch of OSB in

Missouri. The bridge on the slide here gives visual context to our big move from negative EBITDA in '24 to our new guidance for '25.

It's worth flagging a point that Adam mentioned earlier, the very high flow through to EBITDA rate of 66% in our first half. This is unusually high and driven by this year's marketing recalibration. 40% to 50% is a more normal rate for future years, those that don't have major market launches and that aren't impacted by significant gaming tax rate changes.

To finish up from me, we have a high degree of confidence that we will be delivering $500 million of EBITDA in the medium term. The fundamentals of our business have never been more inspiring as you can see from the numbers we've shared with you today.

With that, back to Adam to wrap up.

Adam Greenblatt^ Thank you, Gary.

To summarize, the first half of the year has undoubtedly been a success and doubling down on what I said in April, the business is as healthy as it's ever been. We are executing well against the strategy we outlined earlier this year, and we've demonstrated sustainable and profitable growth to the tune of $232 million in EBITDA improvement year-on-year. We continued momentum across both of our core businesses and now that we are halfway through the year, we're confident in our updated full-year guidance both on the top and bottom lines.

Beyond 2025, we will continue to see benefits of operating leverage as we grow revenue sustainably. Our path to $500 million of EBITDA is within reach, assuming continued execution and eventually, we will look beyond this horizon.

With that, I'd like to hand over the call to the operator for Q&A. Thank you very much.

Operator^ (Operator Instructions) Your first question comes from Ed Young with Morgan Stanley. Please go ahead.

Ed Young^ Hello. Thank you for the presentation.

My main question is on your marketing approach. It was very useful, Adam, to run through the [Slide 6] to show how you are adjusting marketing and the knock-on effect you could still get on player days and actives, et cetera.

From a philosophical point of view, how do you balance this kind of very, I guess, very rational and very numbers-driven approach to also the optionality about investing into states where returns might not look as good, but you might feel that there's some sort of iGaming liberalization opportunity ahead. How do you sort of find that balance?

And then my follow-up, just a very brief details one for Gary. Could you perhaps give the quantification of the tax impact you're expecting in H2 just to help us understand the conservatives in that bridge? Thank you.

Adam Greenblatt^ Yes. Hi, Ed, and thanks for the question.

Look, philosophically we are focused primarily on demonstrable ROI. So paybacks is our North Star -- paybacks are our north star, but obviously, a rational investor, a rational market -- allocator of capital will invest in option value. As it stands today, part of your question is, well, what is the proximity of new iGaming states? And naturally, we would take that into account in our capital allocation. But first and foremost, and the vast majority of weighting is towards demonstrable and certain ROI.

Gary Deutsch^ Ed, on the tax question, we -- it's in the neighborhood of [25] impact in the second half of the year. We'll look to see how that can be managed, but then that's what we put through.

Ed Young^ Perfect. Thank you.

Operator^ Your next question comes from Dan Politzer with JPMorgan. Please go ahead.

Dan Politzer^ Hey, good morning everyone, and nice results.

First question, Adam, I think you mentioned the -- something you're monitoring is the impact of adjacent businesses on the sector. Could you maybe just talk a little bit more about this and how you kind of envision this evolving ecosystem with regard to risks and opportunities?

And then just for my follow-up, at that $500 million EBITDA level that you said you can envision in the medium term, how do you kind of think about margins? You were helpful with flow through and some of the parameters and marketing costs, but kind of any -- any kind of bridge to kind of getting to a normalized margin, how you think about it. Thanks.

Adam Greenblatt^ Thanks, Dan. I'll let Gary take the second part of your question.

I'll just deal with the first, which are the adjacent activities or the adjacent sectors, risks and opportunities associated with that. Really, in my mind, those are -- that's a reference to both the sweeps and the prediction markets.

Look, we're pretty clear -- or we are clear that we believe sweeps should be illegal iGaming, and it's bad for the regulated sector. It's bad for state revenues. It's bad for players.

And so, we are delighted to see lots of states now -- increasingly, not lots, increasingly states adopting just legislation against the sweeps industry, which -- what we would love to see and what we are certainly advocating for is more regulated iGaming states, I think BetMGM more than anyone stands to gain relatively most in the event that it happens. And we fully anticipate, over time, that to happen.

But the message to our lawmakers is the sweeps activity is happening anyway. As I've said, the good guys aren't benefiting. And so, we would like to see that situation unwind and in fact reverse.

In relation to prediction markets, we are monitoring this very, very closely -- very closely means daily, including all the court proceedings, including the new entrants returning to the U.S. that are going to fight it out with the very vocal -- most vocal incumbent, including the wide -- assessing daily the wide range of possible outcomes. And what I will say is that we won't be caught flatfooted, but nothing to talk about today.

Gary Deutsch^ To your EBITDA question, when we look at a normalized version of where we are, a couple of states launching right now, what we have in the plan is we know that Alberta is going to go next year. We're anticipating Alberta will go next year. And we've got Missouri coming on in the -- in Q4. You take that model forward, I think that we hit $500 million plus or minus a 15% EBITDA margin.

Things can change. And as if we launched in a state in a given year, that can have an impact on marketing and margin this year with the benefit coming to revenue the next year. But how we get to normalized sort of level, that plus or minus 15% is where we hit $500 million.

Dan Politzer^ Very helpful. Thanks so much.

Operator^ Your next question comes from Ben Shelley with UBS. Please go ahead.

Ben Shelley^ Hi, thanks for taking my questions. I mean, question one is, what's serving as upside to the $150 million EBITDA guide? And then question two is, have you altered your H2 EBITDA guide or the sort of assumption around that since the start of the year? Thank you.

Adam Greenblatt^ Gary, do you want to take that one?

Gary Deutsch^ Yes, his British terminology on the first question, I didn't understand the one about upside.

Adam Greenblatt^ Ben, why don't you please repeat just the first part of your question?

Ben Shelley^ Sure. Thank you. What is serving as upside to the $150 million EBITDA guide? So what's -- what could generate a beat against that?

Gary Deutsch^ Yes. I mean, we -- certainly there's a world in which football results for one. I mean, we had a tough football season last year. We obviously planned as sort of a normalized theo margin, but football's results can take it up big. We are also executing a more efficient marketing strategy that we've talked about. We'll see how that develops. There's certainly just players that we can gain.

And one of the things that's really, really, really interesting from the first half of the year is the handle growth. So from what we saw, for Q1, at least in our public comps, we think that we were well above the level of the market for handle, 27% growth. We really had two things that were happening in the first half of the year, and we talked about the recalibration of marketing and how that dropped to the bottom line.

And Adam made a mention that's something that's not going to be the big bottom-line driver going forward. But when you look at handle, that's where we really exceeded our expectations.

And one thing I want to highlight about handle that's really important to understand is that compared to last year -- last year, I had a big promotional environment and promotional environments drive and spin up handle. It's not just the handle that's generated by free bets, it's also the downstream handle that's generated by the winnings from those. So that -- it can be factor of 10x, 15x the free bet amount leads to the handle. So we do that, and we've also had a small push in our business towards a mix of more parlay-oriented bets and then recreational bets that have smaller handle, but higher margin.

So those are two factors that made last first half a tough comp. And even against the tough comp of not having that inflation from promotions and having more mix from high-margin bets with low staking, we are really very, very happy with that. So that obviously can carry forward into the second half. And we'll see -- we've had a lot of VIP play. The handle there has grown enormously, so we're really happy.

So yes, there's some definite part of the business that could drive big upside, and that's not even mentioning that iGaming business is rolling forward and it continues to grow. And we always joke that the depth of the market is very deep as we look at these same states that we've been in.

Adam Greenblatt^ Yes, I mean, that's the -- if I could just add, it's Adam again, if I could just add one point. One of the things that continues to surprise and impress on the upside is actually how strong New Jersey is. Ten years down the line, more -- 10 years plus down the line following the introduction of iGaming, New Jersey is -- continues to grow ahead of our expectations in iGaming.

And so, if that's the reference point against which other states' journeys are likely to follow or mature, in that -- in that way, the depth of this iGaming market is remarkable and we can remain very confident of really attractive growth rates going forward.

Ben Shelley^ Thank you.

Operator^ Your next question comes from Barry Jonas with Truist Securities. Please go ahead.

Barry Jonas^ Hey, guys. I wanted to follow-up on the tax increases for the second half of the year or beyond. Maybe just walk through how you're thinking about mitigation strategies, particularly interested in Illinois. Thank you.

Adam Greenblatt^ Hey, Barry. Thanks for the question. Yes. So in terms of mitigation strategy for tax, just I'll speak plainly, we are not going to pass on -- we have not passed on the surcharge to our players. BetMGM is a surcharge-free zone for now. Our approach is we've increased our minimum bet size to $2.50 in the state of Illinois to ensure that at our theoretical expected margin, we at least cover the surcharge, so we're not under water on small staking bets, and we'd like our players, the players in Illinois to choose their preferred operators in that context.

But like most -- well, like everything in our business, we'll make a decision, we evaluate outcome, and then we refine. We have the -- yes, so, we note that others have introduced a surcharge passing on the full cost of bet surcharge to players. In the short term, we feel like this is a relative competitive opportunity for BetMGM and other players that feel that that might be somewhat punitive.

So look, what happens in the future will depend on the financial impact of the approach we're taking at the moment. But we want to at least for now, BetMGM to be a surcharge-free zone.

In terms of other mitigation strategies there, outside of directly tax pass on, it's about promotional intensity, promotional intensity, generosity, the form of how we give out promotions, is it bonus money versus odds boost, things like that which are methods of managing the tax consequences of the promotional environment. But I think for right now, that's all we're in a position to say.

Barry Jonas^ That's really helpful. Then just for a follow-up, maybe just a general question, any thoughts on the ramifications of the One Big Beautiful Bill, particularly touching on the 90% deductibility of gambling losses? Thank you.

Adam Greenblatt^ Yes. I'll tell you my opinion because there's some crystal ball stuff here, Barry. I think this is going to go away. I think there are enough smart people who recognize that it's -- that this may not have been the best approach to take. There are a number of bills as you'll be aware to -- number of bills underway to, to unwind the 90% cap.

And frankly, the -- we've run all the scenarios and the numbers and current framework can result in really some anomalous, just outcomes which don't make sense. So we think the rational outcome will prevail and we think that this is going to go away.

Barry Jonas^ Okay. Thank you very much.

Adam Greenblatt^ Okay.

Operator^ Your next question comes from Joe Stauff with Susquehanna. Please go ahead.

Joe Stauff^ Good morning, Adam, Gary. On the Las Vegas customer acquisition channel, just wondering how relevant this is for your user growth. Any way you can give us an idea of what portion of your 7% user growth in the quarter came or sourced from Las Vegas?

And then the second larger question was, what are the larger, obviously, product initiatives you have in the pipeline, especially the ones that we'll see you launch at least before the football season and/or by the end of the year?

Adam Greenblatt^ Thanks, Joe. Yes. So we don't break down where we source players, the breakdown by states. What I will say, however, is that consistently, Las Vegas is one, two or three of new players acquired in a standard week. So really an important source of players. What's been really delighting me is that despite the normal summer slowdown, we've continued to have some really strong weeks of player requisition coming out of Nevada.

So, that -- I've talked about this in communications before. What we are delighted about, given the relationship with MGM, is the evergreen nature of that customer base. So, and that's being borne out by the fact that week after week, we are seeing a really good number of players, new players, new first time depositors, coming out of Vegas.

And then when you parlay that -- excuse the pun -- parlay that into, or combine that with the single account, single wallet framework, as we mentioned I think in the prepared remarks, we are seeing a 4x increase in the number of players that continue to be BetMGMers when they go home, go back to regulated states. So, we like the direction of travel. We think there's more to go.

Your second part of your question was about product initiatives. The relationship with MGM Resorts and the product -- it is -- and omnichannel is one of the areas of focus. So, we're seeking to supercharge what is already a performance that we're pleased with. So, we would expect there to be more -- more new players acquired via that MGM relationship than ever before. I'm looking forward to speaking to that in future -- in future sessions.

In terms of product initiatives, we've got a busy few weeks ahead. The areas that we are focused on include the core betting experience. So we're making improvements to Bet Slip. We are making improvements to -- further improvements to speed.

One thing I want to call out specifically is fundamental architectural change, like how our app works, has changed. We've changed the framework of how the different components of our app fit together, and that's had what we've measured to be a 40% improvement, 40% plus improvement to aspects of -- the speed of our app in hand.

So this is very, very exciting for us. And actually, there's more to come on that probably later in the year as opposed to just prior to the football season.

So, I talked about Bet Slip. The things that we're focusing in on are the live experience. So live SGP will have, for the first time, ahead of the football seasons is the target. We are making improvements to what we get out of -- we've stopped talking about Angstrom. Angstrom is now just part of the Entain ecosystem, but the output and productivity of Angstrom is going to be available and incorporated into our product.

So, you'll see improved combinability. You'll see a consistent experience between -- of building parlays between pre-live and live. You'll see an expanded player props offering, an improved player props offering. So quite a lot.

And we've talked about the iGaming side already, looking forward to delivering only at BetMGM content, rooted in entertainment, with an omnichannel orientation and yes, just only at BetMGM. So we're looking forward to that. And that's all coming over the next few months.

Joe Stauff^ Thanks a lot, Adam.

Adam Greenblatt^ Sure.

Operator^ Your next question comes from David Katz with Jefferies. Please go ahead.

David Katz^ Morning everybody. Thanks for all the information and for taking my question.

I wanted to just go back to this concept of -- you seem to be sort of finding your people better and better. And Adam, I think you may have just answered that, the MGM resource is accelerating over time, and I just wonder what are the gating factors toward that sort of access to those MGM players? And within the mix, can you talk about sort of the 80/20 rule or the concentrations, where you are today and where you aspire to be? Those are my question and my follow-up. Thanks.

Adam Greenblatt^ Sure. We are finding people better and better, Dave, that observation is absolutely right. We are being -- frankly, we are being helped by the sophistication of our marketing ecosystem. We are being able -- targeting and retargeting and using our first -party data in how we spend money is proving to be very effective.

So, for example, to the extent that we -- connected TV, a logged in session by a user, which consumes media and content, allows us to target that individual through marketing in a much more refined manner.

And actually, this is where the two parts of your question come together, because one of the opportunities for us is to enhance be MGM data, with MGM data to a much greater degree.

Now, where, what -- the second part of your question asked, do an 80/20 some kind of -- what balance between now and future states and the scale of the opportunity, I'm not sure yet. What I know -- what I know, because we haven't unlocked the full potential of the MGM data and that's part of the plumbing that's underway. And -- but what I do know is that how we use the data is incredibly refined.

And so, the extent to which we can enhance our -- the data that we use to filter how we spend money, we will learn over the coming months. So, to put a scale on it, I'm not yet in a position to do that, David. But certainly, I think that there is tremendous value ahead, given the sheer magnitude of the MGM Rewards program.

David Katz^ Okay. That'll do. Thank you.

Adam Greenblatt^ Thank you.

Operator^ Your next question comes from Monique Pollard with Citi. Please go ahead.

Monique Pollard^ Hello, thank you for taking my questions.

The first question was just -- to Gary's point on the potential soon for BetMGM to be able to start returning cash to the parents, Entain and MGM Resorts International. I just wanted to get a sense for, potentially, the level of EBITDA or EBIT, whatever the metric might be, you would need to be at, you think, to feel comfortable for that cash returns process to start potentially?

And then the second follow-up was just, whether you could give us the split of the 1H contribution or the 2Q contribution between OSB and iGaming, please? Understand that the OSB is positive. If you could give a number, that'd be great.

Adam Greenblatt^ Gary, do you want to take those?

Gary Deutsch^ Yes. Cash wise, we -- the guidance we gave gives us the cash that we could be in position to start sending money back. So we started the year with a good cash balance. We're going to add -- we're going to do $150 million at least of EBITDA, so we will have excess cash.

So, the question is how much goes back and when? We'll be in the position to figure that out. But we -- with this guidance, we're in a position that we can, if we choose, or if the parents choose to receive back cash, that transfer can be made.

We're very happy that I -- that Sports is now contribution positive, but I mean, it's still gaming is going to be 2x to 3x times the size of the -- of the contribution that we will get from sports.

Monique Pollard^ Excellent. Thank you.

Operator^ Your next question comes from Brandt Montour with Barclays. Please go ahead.

Brandt Montour^ Good morning, everybody. Good afternoon. Just a quick one for me.

Maybe Adam, if you could just give us a state of the union on the iGaming new legislation momentum in the states, and specifically, obviously we didn't get anything across the finish line this year, but maybe going beneath the surface, if you were surprised, good or bad, by anything you saw, and if there's anything sort of green shoots or reasons to be more or less hopeful for future legislation.

Adam Greenblatt^ Yes. Thank you for the question because as I referenced in one of my earlier answers, we are incredibly motivated to see more iGaming states, and frankly, I'm personally encouraged that 2026 saw the -- sorry, excuse me, 2025 has seen the highest number of new bills introduced than in -- than frankly since Michigan introduced iGaming.

So, what I'm -- the thing that we know for sure is that there is increased impetus for new legislation. The on-the-ground reality is that every state has a -- is a complex set of considerations. And so, that's the offset.

My encouragement of new bills being introduced tells me actually that more iGaming states is a function of when and not if. And without wanting to get too out of my lane, it's the reduced support for states, for state coffers -- that reduce federal support for state coffers, it drives the need for additional and new revenues at a state level.

And frankly, if I put the question about adjacent markets with this question together, you can put them together, you've got a sweeps industry which was very developed. Players were playing what are essentially iGaming products anyway. You have what are likely to be meaningful budget shortfalls. And so, what we can -- what we are -- and the purported impact or the cannibalization concern, we have more and more data to demonstrate that the cannibalization concerns are overstated.

So, you put all that together with more bills being introduced than ever before, I feel like it's only a matter of time before we see a meaningful increase in the number of iGaming states. That's it.

Brandt Montour^ Brilliant. Thank you very much.

Operator^ Your next question comes from Adrien de Saint Hilaire with Bank of America. Please go ahead.

Adrien de Saint Hilaire^ Thanks very much, Adam and Gary, thanks for squeezing me in.

So a couple of questions. I think you've disclosed the capital expenditures for the business for the first time. Obviously, that number seems to be a little volatile quarter by quarter. So, can you just tell us what's the right way to think about the required capital intensity for us going forward, either in absolute terms or as a percentage of sales or whatever metric you prefer.

Adam Greenblatt^ Gary, do you want to -- sorry, please go on.

Adrien de Saint Hilaire^ No, I was going to say, just following up on something you said in your prepared remarks, did you say that you feel that your net win margin was now at a sort of steady state, or maybe I misheard that and you referred to promo? I wasn't quite sure.

Gary Deutsch^ Well, on the, on the CapEx, the numbers we have in there are sort of a representative number of what we would expect on the period. It can go up or down depending on projects like new state legalizations where we can have a data center built, add to that we can have capital expense around the licenses to get into certain states. But overall, the equipment costs, this is representative of a run rate that we're looking at.

Look, as we move on in the future, the different parts we can look at of how we're going to handle our equipment, there's stuff that may go into the cloud we're going to look at that could change the dynamics there. But for now, the numbers you see there are a good representation as sort of a run rate.

Adam Greenblatt^ And then, to your second part, which was about net win margin. Look, the improvement we've made -- we've described the year-on-year changes to net win margin. We -- the two biggest drivers of that net win margin, of course, are the headline margin, your gross win margin, and then our promotional environment.

On the gross win margin, we are not guiding to a meaningful change in the short term. While I personally believe there is some upside and the investment we're making with Entain in trading platform and trading tools is focused on exactly that question. Until we see the impact in underlying pricing and the impact on our gross win margin, I don't want to guide on that in any way. But there's a lot of work being done to improve the underlying win rate with the same bet mix.

So, GGR margin is about where we should expect it. The promotional environment, you've seen some of -- some operators in the sector are -- you've seen some of -- some operators in the sector are promoting extremely heavily, we would argue uneconomically and that's just a function of where we and they are at this point in time.

What I will say is that our promotional strategy and the promotional environment generally is stable. Of course, the promotional environment is impacted by the profile of new state launches. So, it's -- early stages of new states will drive up promotional intensity and it's actually what we are anticipating when we launch Missouri at the end of the year.

So, those are the factors. But, I think core to your question is stable-ish promotional environment, ignoring new states launch profile, and then on an underlying basis, our GGR margin, we're not guiding to upgrades, so pretty stable.

Gary Deutsch^ I think the point we might have made last time, there's more than one way to skin a cat. We have higher staking players that like what they like and we make our growth, typically compared to our competitors, with more volume of betting and more staking in terms of handle, and then, a lower margin than some of the recreational margins you'll see.

Adrien de Saint Hilaire^ Very clear. Appreciate it.

Adam Greenblatt^ Thank you.

Operator^ Your next question comes from Shaun Kelly with Bank of America. Please go ahead.

Shaun Kelly^ Hey, great, good morning. Thanks everyone for taking my questions.

Adam or Gary, maybe just if we wanted to turn the page and think about some of the items for 2026, I just kind of wanted to unpack your comment, Adam, in the prepared remarks about not expecting further reductions in marketing spend. I think we marry that with some of the promotional outlook you just kind of mentioned in the answer to Adrian's question a second ago.

Can you just help us think about should -- you know, where maybe within that flow-through range, the 40% to 50%, we should be? We also have to think about tax headwind for New Jersey and the Alberta launch. I think you're above-average strength in Canada, so maybe you could help us marry all those pieces together and think about flow-throughs for next year kind of based on the baseline and all the comments you've aggregated so far.

Adam Greenblatt^ Yes. Well, thank you for that. Now, let's focus on the future which is what we are excited about too, Shaun.

So anyway, in terms of flow-through rate, Gary, do you want to handle that?

Gary Deutsch^ Yes, so we talked about 40% to 50% being sort of normalized. We talked about how 66%, I think, is what we had first half being abnormal. I think when you look at the full-year impact of tax with the fact that we're launching with Alberta, we should expect a lower than normal flow-through rate for '26, and then we would come back and sort of normalize to that 40% to 50% after next year.

So, next year puts with what -- what are the two things that can vary things. One is the impact of the tax increase; and two, the launch of Alberta.

Shaun Kelly^ Super helpful. And then as my follow-up, Adam, just to kind of build off your high-level comment on prediction markets, if we take a step back here, it looks like there's a bit of a land grab going on maybe the technology side of what's happening there. I'm curious for your views on that and sort of maybe either your thoughts on moat in that business or your thoughts on sort of ability or desire to be a first mover, especially when it comes to licensing in that business, if again there's sort of limited real estate available to get access to that and maybe a time delay, if you choose different path. Thanks.

Adam Greenblatt^ Yes. Let me be clear, the -- we have the ability. We do not -- we do not have the desire to be a first mover. Our state regulators have been very clear. Our tribal partners have been very clear. 34 states' Attorneys General have been very clear. They do not believe prediction markets should serve -- should offer sports contracts because that is sports betting. They would argue that that is sports betting.

What I will also say is that the predictions market and these types of markets, generally, are very much liquidity driven, right? So, there are -- so, your point about, does first mover have an advantage? I think the advantage is conferred by liquidity, not who gets there first. And so, the new entrants to the markets -- the new entrant, the returner to the U.S. with their planned ownership of technology and understood scale would be formidable.

And the likes of -- and don't -- the likes of the Robinhoods and the cryptos and the coin bases whose ability to invest and grow a liquidity pool far out exceeds, I think, sports betting market incumbents to the point where I feel like it's the prediction markets operators who are more likely to have an outsized market share than those trying to get into the market new.

And so, I don't think we have a -- BetMGM has a right to win in own, trying to become a leader in what is a very different market. From a regulatory perspective, very different. From a technical perspective, from a risk management perspective, just very different.

And so, we are -- as I said, I know, an FTM license to become a partner to a platform is a 12-month process, right? So, we won't be surprised by -- frankly, we won't be surprised by anything in this domain.

And as I said before, we are following it very, very closely. We are not underestimating the possibility that this becomes a meaningful factor in our sector. But we are not going to be a first mover in this domain.

Shaun Kelly^ Thank you very much.

Adam Greenblatt^ Sure.

Operator^ That concludes our question-and-answer session, and I will now turn the call back over to Adam Greenblatt for closing remarks.

Adam Greenblatt^ Just a short one for me. Thank you for dialing in, be it the West Coast of the U.S. or further afield in -- to our European colleagues. I hope you share our enthusiasm and excitement for where we are at BetMGM and our outlook, and just looking forward to a very successful football season. Thanks very much and hope to see some of you in the coming months.

Operator^ Ladies and gentlemen, this concludes today's call. Thank you all for joining. You may now disconnect.