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BetMGM Q2 2026 Business Update

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BetMGM Q2 2026 Business Update

PRESENTATION:

Operator^ Good day, and welcome to the BetMGM Second Quarter 2026 Financial Update. Joining from the company today are Adam Greenblatt, Chief Executive Officer, and Gary Deutsch, Chief Financial Officer. (Operator Instructions) Please be advised that today's call is being recorded. I would now like to turn the call over to Adam Greenblatt.

Adam Greenblatt^ Good morning, everyone, and thank you for joining us today. Today, we're providing an update on our Q2 performance and outlook for the remainder of 2026.

Q2 was another quarter of focused execution by BetMGM. Although the quarter came in a little lighter than expected, we continue to deliver against our North Star of profitable growth. While the market environment continued to intensify, with heightened competition among both regulated and unregulated operators, our underlying business fundamentals continue to strengthen, generating positive cash flow, and adjusted EBITDA.

Q2 was an excellent progression from Q1 with significantly higher profitability. We delivered net revenue of $711 million in the quarter, and that's up 3% year-over-year. So first half net revenue came in at $1.4 billion dollars, up 4% year-over-year. And we generated adjusted EBITDA of $74 million, so that's $99 million for the first half.

I will talk shortly about our performance in more detail across both iGaming and sports. But for the headline summary on Q2 performance, iGaming continues to perform well, with good growth in engagement and player value, supported by our market-leading offering.

And in online sports, we saw handle growth despite the challenging market environment, driven by strong engagement around the tentpole events like the World Cup and NBA playoffs. Retail had a tough quarter as several largest staking bets were won by players at our own property sports books.

As we previously highlighted, our industry's licensed operators continue to face an increasingly challenging marketing landscape, now competing for media assets, share a voice and wallet with the big spending prediction market operators.

Aligned with our strategy, we've remained disciplined, investing where we see the greatest returns. As we mentioned at our Q1 call, this means we have scaled back our spending in sports, especially in sports-only states, and reallocated spend to channels with the most efficient

CPAs and attractive payback periods. Therefore, even despite these industry challenges, I'm delighted that BetMGM's underlying player fundamentals remain healthy.

Across our business, our ongoing player management and disciplined capital allocation continue to drive improving player values, which is consistent with our planned moderation of monthly active player accounts.

As I look forward to the remainder of the year, our focus and plan is unchanged, delivering profitable and sustainable growth through disciplined execution with emphasis on our areas of strength. We're excited about several new growth drivers that will continue to develop over the balance of this year and beyond, including significant product enhancements, our successful launch in Alberta, and the expansion of our Borgata brand.

On Alberta, we were encouraged by our early performance and note the value of our relationship with MGM Resorts. Nearly 10% of new players who signed up have a relationship with MGM, which speaks to the power of the brand, the relevance of our omni strategy, and the sustainable benefit of our deep collaboration.

Shifting to guidance, we continue to expect full year 2026 net revenue and adjusted EBITDA within our existing ranges of $2.9 billion to $3.1 billion and $300 million to $350 million respectively. Albeit, we now anticipate landing towards the lower end of these ranges, reflecting the well-understood market conditions coming out of Q2.

Let me reiterate that we are confident in the strength of the business and our long-term strategy. BetMGM continues to focus on our areas of strength and our highest return opportunities, including iGaming and multi-product states, Nevada, and our most valuable customer segments, while reducing investment in lower return OSB-only markets.

And our strategy is working. We continue to see healthy player fundamentals and strong engagement across our core markets. So with that overview, let me now provide more detail on our Q2 performance by segment.

Our iGaming business generated $483 million of net revenue in Q2, up 8% year-over-year, with NGR per active also up 7%. Performance was driven by continued player management improvements and strong player engagement. Active player levels remain stable despite heightened competitive intensity from new entrants in some states.

Additionally, consistent with the OSB side, our iGaming business was slightly impacted by lower cross-sell due to fewer OSB actives, given our refined player targeting and management strategy.

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As a reminder, nearly 70% of our revenue comes from iGaming, and we continue to hold a leadership position in our active markets, supported by best-in-class content only available at BetMGM and differentiated player experiences.

During Q2, we launched several popular exclusive titles, including in Ontario from the Game of Thrones franchise. These have been some of the most successful games we've seen in that market, and we have U.S. rollouts planned for later this year.

We also expanded several of our most successful omni-channel franchises, including new releases within the Rakin' Bacon, Buffalo Triple Power, and Money Gong families. And lastly, we launched Elvis Presley: Viva Las Records and Marilyn Monroe Slingo, expanding our lineup of exclusive entertainment content.

Our successful launch in Alberta represents another exciting opportunity for the business. While still very early days, I mean, we're only 14 days into it now, we're encouraged by the initial indicators and look forward to providing further updates in the future. BetMGM's iGaming offering continues to be market-leading.

Looking ahead, we remain optimistic about the long-term outlook for iGaming and continue to believe additional jurisdictions will legalize over time, adding to the growth potential within our existing footprint.

Turning to sports now. Online sports generated $228 million of net revenue in Q2, flat year-on-year. While retail, as I mentioned earlier, was down year-on-year due to several large premium player payouts. We are pleased with the resilience of our online sports business, despite the competitive headwinds in the industry, prediction market impacts, and the changes we have made to our capital allocation.

In particular, we are pleased with the continued growth in underlying KPIs, which is the expected outcome of our strategy.

Handle per active grew 11% year-over-year, and NGR per active increased 9%. Our average monthly OSB actives has dropped this year, which we had forecasted. We continue to prioritize value over volume, focusing our marketing and service on a higher value player base, which will generate more attractive returns over time.

As you know our customer base skews towards higher value players, which can sometimes result in variability and hold, as has been demonstrated in our retail business this year. This should normalize over time, and we are confident in the play and durability of these high-end players.

One last point on retail, which plays an important role in our omni-channel strategy. A major reason for this year's retail margin volatility is that we continue to see our lowest staking players migrate to digital. MGM properties remain fertile ground for digital signups, both locals and tourists.

In Nevada, OSB handle increased 10% year-over-year during the first half of the year, benefiting from our differentiated omni-channel proposition and strong brand positioning. In summary, we look forward to the rest of the year, as with iGaming, we will continue to remain nimble and disciplined as market conditions evolve.

Moving on to our financials. Q2's net revenue of $711 million brought first half total revenue to $1.4 billion. Contribution for Q2 was a $171 million and $288 million for the first half, supporting adjusted EBITDA of $74 million for Q2 and $99 million for H1.

CapEx for the first half was $22 million, and therefore, with adjusted EBITDA less CapEx remaining the best proxy for total cash to parents, this came in at $77 million for the first half. Parent fees totaled $18 million for the first half, but due to seasonality of marketing for the World Cup and Alberta, no excess cash was returned to parents in Q2. Therefore, we expect total cash to parents in H2 to be higher than the first half.

In summary, Q2 reflects another quarter of disciplined execution and capital allocation, driving profitable growth. While our wider industry faces certain external headwinds, BetMGM's business and strategy remain healthy. We have adjusted our operating and capital allocation framework accordingly, continuing to successfully generate positive cash flow while investing behind meaningful growth opportunities.

We are pleased to have maintained guidance despite the competitive environment, albeit toward the bottom end of the range. We also remain confident in our long-term outlook, even assuming status quo for prediction markets. BetMGM has an attractive opportunity to grow profitability by focusing execution on our areas of strength with iGaming at our core, remaining disciplined in our spend and driving greater efficiencies.

Any future iGaming legislation and potential restrictions in prediction markets activity in sports represents even further upside. This therefore reinforces our conviction that BetMGM is well-positioned to deliver profitable, sustainable growth and generate over $500 million of adjusted EBITDA in the coming years. With that, I'll hand it over to the operator to open the line for questions.

Operator^ (Operator Instructions) Our first question is from Ed Young of Morgan Stanley. Please proceed with your question.

Ed Young^ Hello. My question is on cost efficiencies, please. Your H2 guidance implies you expect to see some stronger profit flow through there. I wonder if you could talk to that and more widely, the cost efficiency opportunities you see in the business, both in this year and next year. You're talking a lot about profitability, Adam. Just love to hear your view on OpEx and efficiencies. Thanks.

Adam Greenblatt^ Hi, Ed. Thank you for the question. So thanks for starting us there. It's an area of really high focus for our business at the moment. And it's really across the board. The big areas of cost in our business as you know the biggest of all is tax. Then, of course, it's marketing payments and people. And so to make an impact on our cost base, we are focused on those things.

Through the change in our strategy that we announced some time ago and now is evident in the business, we've really focused on marketing efficiency, focusing on the areas that of -- on any areas where we have a -- an advantage. We've reduced our spend in sports-only states.

This is marketing spend in sports-only states. We are being very disciplined in the people dimension and we should -- and so part of the profit flow through that we are expecting to see in the second half is really comes out of that activity. In terms of the specifics, however, I'm going to hand over to Gary for flow through.

Gary Deutsch^ Yes. Hi, Ed. So the first half -- when you look at the first half this year versus the first half last year, we absorbed the impact of some tax changes that were significant from last year. So that had an impact. We had a few one-time incidents that cost us a little bit, and that drove really negative flow through on a comparison of first half this year versus first half of last year.

In the second half here, we're now normalized to the tax rates. And as we noted earlier in the year, the efficiencies, the -- really the cutback we were doing on some of the sports-only marketing is going to roll through in the second half. So that flows through right to the bottom line. And then there's a number of initiatives up and down from people to some of our vendors on the direct cost.

So it's going to be over a 100% flow through in the second half. And obviously some of the efficiencies we're working on there will carry through into our planning for 2027.

Ed Young^ Thank you.

Operator^ Your next question comes from the line of Daniel B. Pulitzer [ph] with J.P. Morgan. Please proceed with your question.

Unidentified Participant^ Hey, this is Sam [ph] on for Dan. Thanks for taking our question.

Question on promos. Promos were up year-over-year despite active users down and some slower handle growth across the market. Was that kind of a result of a World Cup engagement spend to retain higher value customers or is there something else?

Adam Greenblatt^ Hi, Dan. So this was very deliberate. Yes, the World Cup was a part of it for sure. I'm sure we'll get into World Cup later in the Q&A. But we -- there was more concerted investment in our players through the World Cup, and that paid back healthily, by the way. So we're really pleased about the impact of that increased spend.

The second part is really a -- is the outcome of some of our strategic moves. What we're -- what we've said is we're not going to reduce investment and reinvestment in player. What we're really very focused on is making sure that that investment is to the right players. And so the relationship between volume and value is evident in that metric.

What we've done is we've put more value into those players who we are very committed to keeping the -- and we believe that there is long-term enduring value in those players. And what we've really dialed back on is some of the -- if you like the lower end of our database, the lower end of our player base who -- whose value we are less confident in. Or rather, let me go further, who's -- who weren't really adding value to BetMGM. So we're seeing that process still playing out.

Unidentified Participant^ That makes sense. And then if I could follow up real quick on the World Cup. The market's obviously seen a large re-acceleration in handle growth and engagement during the tournament. How do you kind of view the engagement environment as we begin the current shoulder season into NFL kickoff? Is there any further opportunity for handle growth in 2026?

Adam Greenblatt^ So two parts to the question. First is about the World Cup itself. I'm so pleased, really so pleased with how this World Cup has played out. What we saw was a massive increase in fandom. And as you know for our category, that is foundational. That is the core driver to ongoing engagement and the betting activity and obviously over time, handle growth.

And what we've seen and what we hoped for in anticipation of the World Cup was really the emergence of a new sport that could over time rival the big three in the U.S. And Gary is -- of course, I'm now seven years into being an American, and Gary, who's a lifelong American is laughing at me. But I think --

Gary Deutsch^ Well, you also forgot hockey there, so there's a big three.

Adam Greenblatt^ Yes, but in soccer -- I think soccer's ahead now. I think in terms -- as we look to the future, soccer is a real sports category and growing. And I think that as a feeder to our sector, that's tremendously exciting. So that's the first.

We saw crazy -- massive handle growth. We saw three times the handle in 2026 that we saw in 2022, 3x. The handle that we took on the bet that we took on the USA-Belgium game were more than any baseball playoff, basketball playoff game, any World Series game. So the -- point is it's legit, and it's on the map. And so as we look to the future, I think soccer is an increasing -- is a growing category.

To the second part of your question, which is in terms of outlook, is there upside? Sure, there's upside. What I'm particularly also excited about is the fact that we've been able to engage our players through the quieter days of summer. The hiatus between last contact, for those who don't bet baseball, last contact and the commencement of the football season is shorter.

And so the memory of a great World Cup experience, a great World Cup betting experience with BetMGM is fresh in our players' minds. So we're very excited about the start of the season, start of the football season, of course, because of these dynamics.

Unidentified Participant^ That makes a lot of sense. Thank you very much.

Adam Greenblatt^ Cool

Operator^ Your next question is from Joe Stauff with Susquehanna. Please proceed with your question.

Joseph Stauff^ Good morning, Adam, Gary. I wanted to ask maybe shine a light on your Nevada operations a little bit more. One, I guess, Adam, if you could maybe update sort of the importance of Nevada. Obviously, you have a unique offering there. It's a relatively small market in terms of the number of operators. Are you getting more benefit out of Nevada from gross additions as you source them at MGM properties and then they go back home and you monetize them there? Or is it really just in the in-state OSB market?

Adam Greenblatt^ Hey, Joe thank you for the question. Nevada is central to BetMGM strategy. As you say, the competitive landscape is different and favorable to BetMGM. Anyone who's been to Vegas, you just have to learn to understand the strength of the brand in Las Vegas. And so we of course benefit from that power, from that impact.

In terms of BetMGM directly, we recruit thousands of players on a weekly basis in MGM properties. We track the number of those players that come from BetMGM OSB states, OSBN multi-product states, and it's a good proportion of that group every week. And so we also track the value of those players when they get home, and we're into now tens of millions of dollars.

Remember, this is something we talked about when we said the -- when we were talking about the importance of single account, single wallet. Remember those words. That's the -- ability of a player to sign up in Vegas and with the same app, just open the app when they get home and continue their BetMGM journey. We see -- we are seeing that play out.

So strategically, the continuity journey for those players is important, but in and of itself, Nevada is critically important. It's -- given the dynamics I started with, we punch above our weight. One of the other things that we are focusing on now is really penetrating more deeply into the locals market. So we over-index in the visitor market, given the number of -- given the reach and the number of hotel rooms that MGM has on the strip.

But now, we're really making a concerted effort into the locals market. And actually, that's one of the areas that we're very excited about and are making on a relative to the other aspects of Nevada, we are making most progress in that area. And we believe that represents an untapped opportunity.

Gary Deutsch^ I would just add one point. I mean, remember, Las Vegas is part of the BetMGM experience. It's part of our branding. It's how we circulate people through Vegas as a rewards mechanism as well. So it's deeply embedded in what we portray as our value proposition to our customers.

Joseph Stauff^ And just to follow up, thank you for that. Is there any idea that you can give us on what market share you have in Nevada nowadays?

Adam Greenblatt^ I don't think that's disclosed, Joe. It's not something we'd share. I think that's -- given how narrow the market is, I think that would be a relatively more sensitive one.

Joseph Stauff^ Understood. Thanks a lot.

Operator^ (Operator Instructions) And your next question comes from Barry Jonas of Truist. Please proceed with your question.

Barry Jonas^ Hey, guys, thank you for taking my question. Wanted to ask about prediction markets. Clearly there's some impacts, but at the same time, we're starting to see Kalshi be restricted in states like Nevada and Michigan. So just curious if we should expect to see any positive impacts for BetMGM with those restrictions. Thank you.

Adam Greenblatt^ We -- thank you, Barry. Thanks for the question. There would be some positive impact, frankly, for all OSB participants as a result of those progressive restrictions. I think the upside -- the starting point would be the flow back would be commensurate with the downside impact.

So to -- I think the starting point is, well, what was the impact of prediction markets in the first instance? And then absent any new initiatives on the part of the operators in those markets where prediction markets are restricted, probably the benefit would be loosely aligned with market share in those states or the initial impact.

Barry Jonas^ Got it. Thank you.

Adam Greenblatt^ Okay.

Operator^ Your next question comes from the line of Monique Pollard with Citi. Please proceed with your question.

Monique Pollard^ Hi. Hello, everyone. Thank you for taking my question. My question is just around the cross-sell to iGaming from OSB and how you get comfortable that you're investing sufficiently in OSB, particularly as we go into the second half of the year where you've talked about scaling back that marketing a bit given the CPAs. Will that be enough, though, to continue to drive the iGaming momentum given the cross-sell opportunities?

Adam Greenblatt^ Yes. That's a really import -- thank you, Monique. Thanks for the question. It's a really important one. Let me just be clear that the invest -- our investment in multi-product states in both sports and gaming remains full throttle.

We are not ceding ground to anyone in that to the extent we can in multi-product states. Which means that we continue to invest concertedly in those markets. Which means that the 60% plus cross-sell, which you rightly refer to from sports to gaming will remain healthy in those states.

Monique Pollard^ Very clear. Thank you.

Adam Greenblatt^ Sure.

Operator^ Your next question comes from Jordan Bender of Citizens. Please proceed with your question.

Jordan Bender^ Everyone good morning. Thanks for the question.

If we go back to February and the original revenue guidance you gave, and we go to today, it's gotten -- the midpoint of that has gone down by about 6% or 7%. We kind of talked through some of the prediction market impacts and headwinds, but Adam, Gary, is there anything else you would kind of call out to why revenue has kind of -- we've seen these downward revisions outside of the prediction market impacts?

Adam Greenblatt^ Jordan, thank you for the question. I think it look -- competition is fierce. It's tough out there. But I think the primary -- certainly on the OSB side, the primary macro impact or primary macro impacts are prediction markets.

And then of course it doesn't help that gas prices are where they are and consumer discretionary income. But trying to parse out those effects is very, very challenging. I think prediction markets is the primary.

Jordan Bender^ Yes.

Gary Deutsch^ And just from a mechanical standpoint, Jordan, we look at -- we assess all the player cohorts we go through. We look at trends, we look at the rest of the year. And bear in mind that when we look at last year's Q4 in particular, we had exceptional sports margins. So when we forecast going forward, we look at COs and, that's why some of the flattish sports revenue projections for the rest of the year. But the -- that said, we look at where we are and, target it as best as we can.

Jordan Bender^ Great. Thank you.

Operator^ Your next question comes from Ben Shelley of UBS. Please proceed with your question.

Ben Shelley^ Hi. Thanks very much for taking my question. Are there any updates you can provide on competitive intensity within iGaming? You highlighted elevated competition last quarter, so I thought it'd be helpful to understand how that's developed since then. Thank you.

Adam Greenblatt^ Thanks for the question, Ben. Yes. The iGaming market is very competitive and remains very, very competitive. What we're seeing is there've been in the last -- I just don't know when, can't remember when they launched, but certainly launch last six to nine months, we've seen a couple of new serious competitors join some of our new entrants to some of our iGaming states, Michigan being one of them, and obviously Michigan is one of our larger states.

And as new entrants join a market and certainly in established markets, their ability to compete and make impact is very challenging. It's challenged. And so what we're seeing is some of the new entrants spending -- investing in growth, investing in players in a frankly less commercially rational way in order to establish a beachhead. And it's in that context that actually we're delighted with the resilience of our business, the resilience of our player base and the continued momentum of our business notwithstanding.

So to answer your question, very, very competitive environment. CPAs are a little bit higher than last year. In fact to help you with that about 15% plus more than last year, our iGaming CPAs is our experience. It’s also been -- we also have some new regulatory constraints particularly in PA.

We have new KYC rules which makes the journey to become a player more challenging that it has more friction. So it’s -- the environment is challenging. And so it’s within that environment we remain convinced that our strategy is the right one and pleased with the business’s performance.

Ben Shelley^ Thanks very much. Very clear.

Adam Greenblatt^ Good.

Operator^ Your next question comes from Charlie Muresan [ph] of BNP Paribas. Please proceed with your question.

Unidentified Participant^ Thank you very much for taking my questions. I just wanted to get a little bit of elaboration on some of your earlier points, particularly just returning to your outlook for the second half. You called out very good sports results for the fourth quarter.

Obviously, a shift in marketing spend, some other factors. But I wondered if you could also clarify the drop through on retail margin that you experienced in Q2. And also, any other factors which we should take into consideration to get you to that full-year guidance. Thank you.

Gary Deutsch^ I mean, to the retail point, I think we called that in the opening remarks. We’ve had the recreational base of players through Nevada push mostly into digital. So the ones who have sort of bigger margin and less volatility are now living in OSB. So in retail, we now have a lot of higher-end VIP players, and it’s been volatile and we had that extreme situation of having basically zero revenue net in Q2. So that flow through is obviously negative.

Now, we believe in this base of players over time. They should be high staking, but have reasonably low margin, but it still is a profitable business for us. So that comes back. Retail historically has had a good flow for us, more like 50%, typically. But -- and that’s what we bake into the second half. But I mean, beyond that, when you get to the second half, we’re just sort of normalizing to fees.

We’re adjusting in for the downgrade in the marketing spend that we’re doing in sports. We’re rolling through some of these cost initiatives that I mentioned earlier. And you put that with the year-over-year revenue growth, and you have over a 100% flow through in the second half.So for the full year, given that we’re spending less in marketing and some of the efficiencies that roll through, we’re looking at higher than our guided 40%. We’re looking towards 70% or plus for the flow through of this year versus last year.

So in the fullness of time, in a normalized basis, we still expect that 40% flow through. But this year, when it all evens out for the year, we're going to be better than that.

Unidentified Participant^ Many thanks. And just a brief follow-up. You didn't give the monthly active users KPI in the release. Could you just confirm, I think you -- I overheard you said flat in iGaming, but I wasn't sure if that was the metric you mentioned and down in OSB.

Gary Deutsch^ Well, so yes, we've given the overall average monthly active for the combined player base is down 3% for Q2, and then I think it's down to 6% for the first half. So roughly what you said, the decline is driven by sports.

Unidentified Participant^ Many thanks

Operator^ Your next question comes from John DeCree of CBRE. Please proceed with your question.

John DeCree^ Hi, everyone. Thank you for taking my question. Adam, I think you may have briefly touched on your expectation for iGaming legislation over time but I was wondering if you could elaborate on your current thinking. Obviously, prediction markets have kind of dominated the regulatory airwaves, but have you seen any political momentum or what do you think we need to see to get some more progress on that front?

Adam Greenblatt^ Thanks, John. Our top two remain our top two. With all of -- I wish there were -- there was a shorthand way or a general way of answering your question. The reality is every state is different. Every state has its own specific political landscape, headwinds, tailwinds, fiscal needs, pressures.

So the top three remain Virginia, where we made some good progress last year. Hopeful for -- to see legislation in ‘27. DC also we're hoping to see some legislation in ‘27. And the other state which we are turning our attention to as an industry is Indiana where we've seen some changes to the political landscape, which should be conducive to passage of iGaming.

But with all of these, there come risk. There -- risks are attendant. So difficult to say, but certainly, as I said in my prepared remarks, in the fullness of time, we should -- we very much expect to see an expanding TAM.

John DeCree^ That's great, and I appreciate that color. Thank you.

Adam Greenblatt^ Sure.

Operator^ And your next question comes from Adrien de Saint Hilaire of Bank of America. Please proceed with your question.

Adrien de Saint Hilaire^ Yes. Morning, everyone. Adam and Gary, can you talk about your expectation for the iGaming market growth ahead because you're now -- the market at least is going to lap maybe easier comparatives. Is your expectation that the market growth picks up from here because of those easier comparatives or that the market stays more or less in the mid-teens as it is right now given the competitive intensity you talked about and the challenges in investing behind player acquisition?

Adam Greenblatt^ I think -- Well, the answer to your question is implicit in our guidance. So we are expecting a -- we've guided to a continuation, same course and speed for the rest of the year. Beyond that, it's really difficult to say. I think macro will have a role to play in '27 and beyond. But certainly for the rest of the year, we've guided to same course and speed.

Gary Deutsch^ And it's the X factor of what he was saying in the last answers, what legalizes, how they will allow. We had Alberta this year. We're working on these other ones. So that is the upside to the iGaming business is getting some of these live, new ones live.

Adam Greenblatt^ So I will say that we've brought to market, just to add to that, we've brought to market some really exciting new content, new games. New live product is available. We'll be expanding our jack -- our suite of jackpot products in the coming weeks. We're hoping to make many millionaires a year with just a 10-cent bet. And so that will likely drive interest.

So there are lots -- we're not sitting on our hands expecting the markets that the underlying growth in the market to take the wind of that to catch our sails and off we go. No. We're really making strides to improve our player experience.

And frankly, we haven't spent any time on Alberta. I mentioned in my prepared remarks that it started very, very nicely. So if there is some upside to the back end of the year, there is potential for that, but again, we're not guiding to that now.

Adrien de Saint Hilaire^ Understood. Thank you.

Operator^ Your next question comes from Chad Beynon with Macquarie Capital. Please proceed with your question.

Chad Beynon^ Hi. Morning. Thanks for taking my question. Adam, can you update us on how AI is evolving with your company, whether it's IP with some of the content on iGaming, CRM customer acquisition retention or other areas where this could lead to higher profitability beyond '26? Thanks.

Adam Greenblatt^ Chad, thank you very much. I'm very passionate about this subject. I'm also reluctant to go into the detail of what we're doing at the moment because it's -- I want to be able to point to things before we start talking about them. What I will say is that we've made great strides in the -- some of the areas you've already talked about.

The area of compliance is an area we're focused on. The area of obviously care and risk are we believe to be areas of potential. But I believe that the opportunity for AI is much more fundamental. Of course, there will be tactical moves, as we've discussed, that we just talked about.

There will be tactical areas of impact, but I believe that there are -- in terms of how the business is managed, AI, I believe, will be a disruptor, fundamental disruptor over time, and we'll talk about that more when our plans are -- not our plans. When our plans are more real, we'll get into that. But let's keep talking about it.

Chad Beynon^ Thank you. Appreciate it.

Adam Greenblatt^ Okay.

Operator^ Your next question comes from Pravin Gondhale with Barclays. Please proceed with your question.

Pravin Gondhale^ Hello. Good morning. Thanks for taking my questions. So my question is on the $500 million sort of EBITDA target push out after 2027. Could you please talk about how should we be thinking about the EBITDA flow through between now and then, the 49% percent not normalized that you are expecting in fullness of the time? And what are the sort of moving parts there to get to that moving parts in 2027 and get to that $500 million target there? Thanks.

Adam Greenblatt^ Yes. Thank you, Pravin. What I hoped was evident from our prepared remarks was that we see a path to $500 million of EBITDA with our existing -- on only on our existing footprint with gaming growth that we believe to be ahead. And the focus on costs, which I referred to at the beginning of the call, we are -- and assuming our standard flow through rates --

Gary Deutsch^ Which is about 40% to 45%.

Adam Greenblatt^ -- which is about 40% to 45%. So you bring all those things together, and that leads -- that gives us our pathway to $500 million. What we have -- what we did say on the prepared remarks and in our written release is that it'll probably be extended beyond -- it will be extended beyond 2027, however.

Pravin Gondhale^ Alright, thank you very much

Operator^ Your next question comes from Clark Lampen of BTIG. Please proceed with your question.

Clark Lampen^ Thanks very much. I appreciate you guys giving me an opportunity to ask a question here. I wanted to follow up on iGaming competition and just see sort of a high-level question, how you guys think about differentiation sort of now and over time. And maybe sort of within, I guess, the sort of quiver of options or opportunities that you have to differentiate the BetMGM offering, how you think about first-party content.

Is that something that you guys would be willing to lean into over time in addition to expanding the number of sort of third-party games and exclusives that you have? Or is that maybe conversely, maybe there's another area of sort of differentiation that you would rather lean into relative to that but would be particularly curious, I guess, if you guys could talk about how you think about that evolving over time? Thank you.

Adam Greenblatt^ Yes, for sure. So an important question, one I think we think about most days given the centrality and our gaming -- of gaming to our business and our gaming-first orientation. We think about differentiation through -- one of the primary reasons is through -- tools is through content. We have a very now clear IP strategy. We are the home of entertainment, so we have acquired third-party games on an exclusive basis.

What we've also done is acquired IP, and this is the intersection between your question and our strategy. We've acquired third-party IP and build our own games. So it's almost a synthesis of that first-party, third-party idea. We also lean -- we've also leaned more heavily in the last 18 months into bespoke engagement tools. So kind of the intersection between real money and free-to-play, that's been successful for us.

MGM -- so then moving into the area of live, we have -- with our shareholder MGM Resorts, we have unique offerings in the world of live, and we think that's an area that we can build from. It's popular in our Ontario business, and we believe it will be -- it will gain traction in Alberta.

The U.S. regulations require that a live product be produced in-state, which introduces a degree of complexity. We don't know that will what -- whether that will sustain over time. But we think live is another area where we can differentiate.

And of course, omni-channel is an important component of our iGaming offering, and which -- what we've done successfully over the last while is launch online and in a retail environment game titles, which means that a digital player, we can continue their -- we can offer them the game that they like in Nevada.

We can -- and we have. We've sent some of our players to Nevada as a thank you for their loyalty, and they can continue the -- to play the game that they love most in a physical environment, in that MGM environment.

So that's another area where I won't say only at BetMGM, but certainly between BetMGM and MGM Resorts. We have a very compelling and we believe differentiated offering.

Clark Lampen^ Thank you, Adam

Operator^ Your next question comes from Andrew Tam with Rothschild & Co Redburn. Please proceed with your question.

Andrew Tam^ Hi. Good morning. Thanks for taking my question. Just a quick one. If I zoom into a state like Ohio, I was just wondering whether the sale of MGM Northfield has impacted the omni-channel strategy in terms of a customer acquisition strategy that you have in that state and impacted any trends there or operational trends.

Adam Greenblatt^ Thank you for the question. It hasn't. I'll just put it at -- leave it as that. It hasn't. We've adjusted our strategy and been able to compensate for that. So no, the business has continued on as before.

Andrew Tam^ Understood. And just following on from your earlier comments about some of the competitive dynamics out there and some of the irrational marketing, does that extend into the Ohio market as well in terms of the pullback that you were talking to earlier?

Adam Greenblatt^ We've not seen particularly irrational spend in Ohio, no.

Andrew Tam^ Got it. Understood. Thanks very much.

Operator^ We will now take our last question from Julie Hoover of Bank of America. Please proceed with your question.

Julie Hoover^ Hi. Thank you for taking my question. I think we covered the prediction market revenue impact, but can you talk a little bit more about what you're seeing -- what impact you're seeing from prediction market entrants onto the customer acquisition side, maybe specifically around World Cup, and then how you expect that to trend into NFL kickoff?

Adam Greenblatt^ What a great question, and thank you for that because it's a lovely way to end. We've seen excellent player response to the World Cup, as I mentioned previously. What that has meant is notwithstanding the outside -- outsize spend by the prediction market operators we have through our own refinement actions and of course market demand. We've seen OSB CPAs reduce dramatically through the World Cup.

Now, the big question is, well, what happens next? And what we would obviously love to see a continuation of those attractive CPAs and attractive paybacks in OSB that we've seen through the World Cup, that's not what we've planned for.

We've planned for the experience that we saw prior to the World Cup to be maintained through the rest of the year. Now, it's -- of course, that does represent potential for upside, but until we have more experience post World Cup, I think it would be premature to bake that in.

Julie Hoover^ Great. Thank you.

Adam Greenblatt^ Okay.

Operator^ Thank you. That concludes the question-and-answer session. I will now turn the call over to Adam for his closing remarks. Please go ahead.

Adam Greenblatt^ Alright. Thank you very much for joining us today. We at BetMGM remain focused on executing our strategy, delivering profit growth, and building long-term shareholder value.

And as we've covered on the call, our fundamentals remain healthy, and we're confident in the opportunities ahead for the remainder of 2026 and beyond. So with that, I want to thank you for your time. Thank you for joining, and we look forward to updating you again next quarter. Have a great day.

Operator^ This concludes today's business update. Ladies and gentlemen, thank you for participating. You may now disconnect.