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Q3 2019 Gamesys Group PLC Earnings Call

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## CORPORATE PARTICIPANTS

**Keith Laslop** *Gamesys Group plc - CFO & Director*  
**Lee Daniel Fenton** *Gamesys Group plc - CEO & Director*  
**Neil Geoffrey Goulden** *Gamesys Group plc - Executive Chairman*

## CONFERENCE CALL PARTICIPANTS

**David Brohan** *Goodbody Stockbrokers, Research Division - Analyst*  
**Ivor Jones** *Peel Hunt LLP, Research Division - Analyst*  
**Richard Paul Stuber** *Numis Securities Limited, Research Division - Analyst*  
**Simon John Davies** *Deutsche Bank AG, Research Division - Head of UK Midcap & Online Gaming Research*  
**Victoria Elaine Pease** *Edison Investment Research Limited - Analyst*

## PRESENTATION

### Operator

Good afternoon, ladies and gentlemen, and thank you for standing by. Welcome to the Gamesys Group plc's Q3 2019 Results Conference Call. (Operator Instructions) Please note that this call is being recorded today, Wednesday, 13th of November 2019, at 1 p.m. London time. If you have not received the copy of Gamesys Group plc's Q3 2019 earnings release that was issued before market opened today, you can find it under Gamesys Group plc's profile on the SEDAR website or on the Gamesys Group plc website at [www.gamesysgroup.com](http://www.gamesysgroup.com).

Please be aware that we will be discussing some information about the business that is forward-looking and which is based on management assumptions and subject to a number of risks that could cause actual results to differ materially from current expectations. Our annual information form dated 29th of March 2019 and our management information circular dated 3rd of May 2019, which you can find on the SEDAR website under Gamesys Group plc's profile, discuss many of these assumptions and risks. Gamesys Group plc does not intend to publicly update any forward-looking information, except as required by applicable security laws.

Please note that we will also be discussing some non-IFRS measures today's on call -- today's call. For the definitions and reconciliations of these non-IFRS measures, please refer to Page 4 in the RNS we issued earlier today.

I will now turn the conference over to Mr. Neil Goulden, Executive Chairman of Gamesys Group plc. Please go ahead.

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### **Neil Geoffrey Goulden** *Gamesys Group plc - Executive Chairman*

Thank you, Simone. Good afternoon, everyone, and welcome to the Gamesys Group results call for Q3 of 2019.

With me today are Lee Fenton, CEO; and Keith Laslop, CFO. I will briefly cover the financial and operating highlights for the quarter and also update on prospects for the remainder of the current financial year. Lee will then cover strategic priorities for the enlarged group, and Keith will give more detail on the financial performance. We will then open up for questions. And at that time, if you have a question, please follow the operator's instructions. A transcript of the call will be on our website within 48 hours, and a replay option will also be available.

Kind of kick off by covering the key highlights from Q3. Q3 was marked by the successful completion of the acquisition of Gamesys on 27th of September. This is a key milestone in the development of Jackpotjoy plc now renamed Gamesys Group plc.

With the transaction now complete, we are focused on the integration and the delivery of a high growth and socially responsible strategy for the group. We've created a leading portfolio of brands with strong growth prospects: Jackpotjoy, Virgin Games, Vera&John, Botemania, Heart Bingo, Monopoly Casino, Starspins and InterCasino. We are looking forward to an exciting future as we leverage the power of our brands and our in-house technology and product suite.

For the third consecutive quarter, the group has delivered double-digit revenue growth. Reported revenues grew 23% or 20% on a pro forma basis, including the acquired Gamesys brands. Adjusted EBITDA fell by GBP 2.1 million or 8%, due primarily to a GBP 3.5 million

increase in getting taxes following the 6% increase in remote gaming duty in the U.K. from April 2019. Without the tax impact, EBITDA would have grown double digits.

Our Vera&John brand was an operational standout, growing revenues by 57% or 55% on a constant currency basis. This growth was similar to that achieved in Q1 and Q2. Vera&John continues to grow across a number of international geographies. Closer to home, we are delighted to report that our Jackpotjoy brand has, as predicted, returned to growth as the impact of enhanced responsible gambling measures began to annualize. Following a 9% decline in Q1 and a 7% decline in Q2, we are pleased to report growth of 1% in Q3.

We are also pleased to report that the acquired Gamesys brands have demonstrated accelerating momentum. Following growth of 8% in H1, Virgin Games, Heart Bingo, Monopoly Casino delivered collectively growth of 22% in Q3, and this supports our confidence in the future prospects for our newly acquired brands in both existing geographies and new markets.

In the 12 months to September 2019, we've seen a healthy 7% growth in active customers and a 6% growth in average revenue per active. We continue to deliver very strong operating cash flow and currently have GBP 75 million in unrestricted cash on our balance sheet. At the end of Q3, leverage stood at 3x. And with our strong cash flow, we anticipate deleveraging rapidly.

The group's target remains to reduce leverage to the 1 to 2x range as quickly as possible. Given the strong performance we have seen during the first 9 months of the year, the board remains confident in the outlook for the full year and into next year.

Finally, I should perhaps just touch base on the interim report from the All Party Parliamentary Group for gambling here in the U.K., which published its report on the 4th of November, which seems to have dominated the airwaves in recent days. I don't want to be critical of the report as we agree with a number of their 20-plus recommendations, but nor do I want to give credibility to what is, after all, an interim report which shows all the hallmarks -- sorry, all the hallmarks of having been rushed out without much supporting evidence due to the dissolution of the UK Parliament, pending a general election on the 12th of December.

It was also conveniently timed to come out just before the launch of the Betting and Gaming Council, a new trade association for gaming in the U.K. It should be remembered that there are over 650 All-Party Parliamentary Groups, more than one for every member of Parliament. These groups have no statutory standing or powers and are, in fact, internal lobby groups of members of Parliament who share a common interest. In this case, an anti-gambling agenda. Indeed, the interim report was issued before the Minister for Gambling or the Gambling Commission had a chance to give any evidence.

Also, if you look at their website, you'll find that the funding for this group comes from 2 areas: one, anti-gambling lobbyists; and secondly, land-based casino and machine operators in the U.K. are funding this group.

We don't intend to fuel a specific debate on state limits on slot machines, just one of the many recommendations, but one which seems to have grabbed the headlines. But suffice to say, we operate a highly responsible entertainment-based gambling platform, where the average stake for spin is below GBP 1. The majority of spins are below GBP 2, and the vast majority below GBP 5, the state level for slot machines in land-based casinos in the U.K.

We continue to hold a view that the GBP 2 stake is not proportionate or necessary in online gambling and nor is the suggestion based in any real evidence. We recently gave evidence to our House of Lords Select Committee which was well received, and we will continue to work constructively with the regulator and parliamentarians to ensure that our customers continue to enjoy safe and fun gambling experience.

Finally, it's worth noting that from next year, we'll be adopting a more typical UK plc approach to trading updates for Q1 and Q3, which we'll not be fully reporting but rather key trading highlights, with full results presented in H1 and for the full year.

Can I now hand over to Lee?

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**Lee Daniel Fenton Gamesys Group plc - CEO & Director**

Thanks, Neil, and hello, everyone. As I said at the completion of the recent transaction, I felt that the combination of the JPJ Group and Gamesys was highly complementary. 6 weeks post completion, I'm pleased to say that I'm only more convinced by that view, and we are confident that our organization is in a strong position to take advantage of growth opportunities across our global footprint.

Our confidence is underpinned by our unique technology offering, an extremely strong pool of talent and an enhanced portfolio of brands, which provides a tremendous bedrock for growth in both existing and new markets. Our immediate operational focus includes 2 key areas. Firstly, integration. This means getting the teams across the whole of the business together and aligning around very clear goals. These goals are centered on key areas, which will form the backbone of our strategy over the coming years and will include gaining share in existing markets as well as identifying our next core market.

Secondly, our operational focus will see us drive optimization across the enlarged group. There is significant potential to take the experience and best practice from both the legacy Gamesys business and JPJ Group and to utilize these across our wholly-owned technology platforms. Add to this, the wider data sets we can now leverage, we believe there are further optimization gains to bank.

We are already reaping the benefits of our strategy in terms of operating performance. Q3 has seen excellent growth across the acquired Gamesys brand, an outstanding performance at Vera&John and a return to growth at Jackpotjoy U.K., all of which gives us confidence in the outlook for our newly created group.

I will now pass the call over to Keith, who will walk you through the company's financial highlights.

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**Keith Laslop Gamesys Group plc - CFO & Director**

Thanks, Lee. And as Lee mentioned, I'll dive into some further detail on the performance highlights. It does get a bit confusing this quarter as we have our reported results, which includes only 4 days of the combined business. However, we also have our legacy JPJ Group business, the Gamesys Limited brands and the pro forma results, where we look at everything combined for the full quarter. I'll start by focusing on our reported results before moving on to our legacy brands on either side and then the pro forma results.

So with respect to the P&L. From whichever way we look at the business, we had a good Q3, with reported revenue up 23% to GBP 92.4 million, whereas adjusted EBITDA declined 8% to GBP 25.5 million due to the 6% increase in remote gaming duty in the U.K. Legacy JPJ Group. So excluding the 4 days of combined results, increased revenue by 20% in the quarter, whereas adjusted EBITDA declined 10% for the same RGD reason. Legacy Gamesys brands revenue increased 22% in the quarter, and adjusted EBITDA increased 13%.

Finally, on a pro forma consolidated basis, again, assuming the businesses were together from the start of the quarter, revenue increased 20% to GBP 144.3 million, and adjusted EBITDA declined 4% to GBP 38.6 million. For more details of our pro forma results, please look at the Q3 presentation on our website.

We now have 5 brands in the U.K.: Jackpotjoy, StarSpins, Virgin, Heart Bingo and Monopoly Casino. In the future, we'll be reporting on a jurisdictional basis and the given indication in Q3, our U.K. revenue grew 12% year-on-year.

As Neil mentioned, we're very happy to report that Jackpotjoy U.K. returned to growth in Q3 as we had predicted its return to growth this half following the annualization of additional responsible gaming measures put in place in 2018. We took advantage of the marketing opportunities in Q3, which impacted the EBITDA of both of our segments. And Vera&John revenues increased 57% to GBP 40.2 million in Q3, lever the marketing spend, impacted adjusted EBITDA, which grew 22% to GBP 10.2 million. In euro terms, revenue and adjusted EBITDA growth was 1 or 2 points lower. As always, we expect Vera&John to continue to be our fastest-growing segment, however, it will always be more volatile than the JPJ segment, and we feel it is a great complement to our JPJ segment.

Now moving on to the balance sheet and cash flow statement. The balance sheet is at the 30th of September, so it includes legacy Gamesys receivables and payables, whereas the cash flow statement reflects items from both the reported income statement and the balance sheet.

We generated GBP 18.3 million of operating cash flow in Q3 2019. As in Q2, there were some additional uses of our cash, including a delayed Maltese tax, which have now happily been received, roughly EUR 3.3 million, increased PSP reserves relating to our Asian business. As our business continues its high-growth trajectory in certain jurisdictions, payment service provider, contractual reserves have had an increasing impact on our cash balances. These reserves tend to be on a rolling basis on deposits, and we classify them as restricted cash. As the business becomes more mature in these markets, the increased use of cash will slow, and we will also be in a better position to negotiate better terms from payment providers.

Lastly, transaction costs impacted cash flow significantly in Q3. As Neil had said previously, even though the Gamesys transaction has been a relatively easy transaction to execute, it was more complicated to paper and there were significant transaction costs this quarter.

At the end of September, we had GBP 98 million of unrestricted cash on our balance sheet. However, circa GBP 25 million relates to payables assumed through the acquisition and will be released shortly. Not including the assumed payables results in operational unrestricted cash of GBP 73 million, which leads us to an adjusted debt figure of GBP 485 million and a resulting net leverage ratio of 3x.

As previously discussed, we believe the Gamesys transaction enhances our deleveraging capabilities, and getting our net leverage below 2.5x remains a key mandate for the company.

Last thing from my side and slightly echoing Neil, we are UK plc, and in the U.K., the norm is to do trading updates in Q1 and Q3 instead of full financial statements. We plan to follow our peers and do a trading update in Q1 2020 instead of full financials.

I will now pass the call back to Neil.

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**Neil Geoffrey Goulden *Gamesys Group plc - Executive Chairman***

Thank you, Keith. Thank you, Lee. Tom, we are now open for questions.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions)

Our first question comes from the line of Victoria Pease from Edison.

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**Victoria Elaine Pease *Edison Investment Research Limited - Analyst***

I have a couple of questions. The first one on your pro forma EBITDA number, I think on Page 11 of your presentation. And I was just wondering if corporate costs are actually not included in that number because I was just trying to add up the figures, the GBP 2.9 million corporate costs?

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**Keith Laslop *Gamesys Group plc - CFO & Director***

Yes. Good question. And I toyed with not putting in this net EBITDA figures for the various subsegments because it does get a bit confusing. So -- and I'm glad you asked the question. The consolidated results do include corporate costs. However, legacy Gamesys does not include Luxor fees, so the content fees, nor does it include revenues that are owed to legacy Gamesys and profits from the real money gambling services agreement that Jackpotjoy has with Gamesys. Now on the Jackpotjoy side, legacy Jackpotjoy does have the cost of the RMGSA within it, so 10% of revenues for our U.K. brands, 12.5% for Spanish brands, but it does not have Luxor in it, so you really need to look at the consolidated results only. If you want a sense, you can't add up these 3 and get to the consolidated results, which is why we put in, at the back of the deck, some more information on pro forma consolidated results, just to give a bit more clarity.

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**Victoria Elaine Pease Edison Investment Research Limited - Analyst**

Okay. Because just looking at your numbers in the RNS, the Vera&John and legacy Jackpotjoy add up to what you've got before the -- look, if I add in corporate costs then put them in, Gamesys should be a bit higher than it is? Or is it just the GBP 38.6 million should be lowered by GBP 2.9 million for the corporate costs? Or if you just...

**Keith Laslop Gamesys Group plc - CFO & Director**

No, no, no, GBP 38.6 million is the right number. It's that -- your legacy Jackpotjoy, it includes a bunch of costs in there that does not actually exist within their consolidated results, and legacy Gamesys does not have some costs in there from some -- from the content fees. So really, you cannot add these up to the consolidated results because as you can imagine, legacy Jackpotjoy, if we're looking at Jackpotjoy segment itself, we have to include the RMGSA fees, it'd be wrong not to include that, but RMGSA doesn't really exist anymore. Because we're a combined company.

**Victoria Elaine Pease Edison Investment Research Limited - Analyst**

Okay. And just one other question for me, just on Vera&John, and obviously, the EBITDA margin seems -- is a bit lower than it has been, given the higher marketing spend and so forth. Just wondering what level of spend we should expect going forward? And if the sort of 25% margin is something that we should be targeting?

**Keith Laslop Gamesys Group plc - CFO & Director**

I think margin is a bit lower in Vera&John. We did see and -- some marketing opportunities and that we took advantage of. And there's a few different countries that we're actively marketing in. I -- also, we put in an LTIP plan for Asian business, so you'll see that admin costs have gone up as well. We put in an LTIP plan that does last for multiple years, but we're expensing all of that in 2019. So that's to secure our Asian groups. As you can imagine, as a lot of our peers come into Asia, us being the strongest, especially in Japan, we're a high target, so we put it in an LTIP plan in that case. So I think going forward, margin for Vera&John should be a few percentage points higher.

**Operator**

Our next question comes from the line of David Brohan from Goodbody.

**David Brohan Goodbody Stockbrokers, Research Division - Analyst**

Just 2 questions from me. Just in terms of the growth in Jackpotjoy U.K. business, and at what point in the quarter did that return to growth? And how do we think of the growth in Q4 for that? And then just a second one on Gamesys MC, that material acceleration in Q3 with plus 23%. How did -- what was the comparative period like in Q3 '18? And in terms of Q4, what was the -- how does the comparator in Q4, I think you're up just thinking that Q4 this year?

**Keith Laslop Gamesys Group plc - CFO & Director**

Well, I think that I only got 2 of those questions. So let me start off with JPJ U.K., then I'll touch on Gamesys. So JPJ U.K., we anticipate that it would return to growth in H2. We're happy that we started to see it getting quite close through at start of Q3, and definitely by the end, it does go up and down every month, but I -- and it all depends on comparables, but we're happy to see that JPJ U.K. went up 1% in Q3. And going forward, what you will see on our side is for us to take much more into account just U.K., as I've mentioned in my script, I -- we will be optimizing marketing across all of our brands. We'll be looking at 5 -- essentially the 5 brands as a whole. So in the -- going forward, you'll see us talking about the U.K. market, which is why I said, if you look at the U.K. market in this quarter, we're up 12%. Now with respect to Gamesys, David, sorry, what was your question on the Gamesys, sorry?

**David Brohan Goodbody Stockbrokers, Research Division - Analyst**

Just in terms of how was the -- what was Q3, I think, like in terms of comparative periods? Obviously, given there was the kind of plus 23% delivered this quarter? And then how does Q4 look versus Q4 '18? So is -- was the comps easier or harder in Q3 versus what it would be like in Q4?

**Keith Laslop Gamesys Group plc - CFO & Director**

We think that Q4 will be a tougher comp because Q4 is always the best quarter that we have. Now having said that, responsible gaming measures took its toll on both sides of the business as well as GDPR as well as the CMA bonus changes as well as a bunch of other things

in 2018. So both businesses were hit, respectively, in 2018, and it got progressively worse over the course of the year. And really, I'd say, almost both businesses bottomed out either in Q1 or Q2 this year. That's why you see in the Gamesys side, 5% growth in Q1, 10% growth in Q2, now 23% growth in Q3. But to answer your question, I think that margins, looking at it, are slightly lower than in Q3 2018. We spent a bit more in certain places. And Q4 was -- at the end of the day, Q4 will always be our strongest quarter of the year.

Lee will still add a little bit.

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**Lee Daniel Fenton Gamesys Group plc - CEO & Director**

Okay. I mean, just to answer to the fact that, obviously, we've taken advantage of certain optimization opportunities in the last 6 weeks since we closed. But certainly, leveraging bingo liquidity, we've been doing more effectively since we actually exchanged in June. So you're seeing some of those benefits coming through and helping the Gamesys brands and Jackpotjoy U.K.

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**Operator**

The next question comes from the line of Richard Stuber from Numis.

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**Richard Paul Stuber Numis Securities Limited, Research Division - Analyst**

Just 2 questions, one on Japan and one on the sort of integration. The first one, obviously, reported very strong and markedly consistent growth in Japan in the third quarter. Is there any additional color you can give on this market, particularly, you've got in competition? I know you mentioned a bit of it in the previous question. And whether you think this level of growth rate is sustainable in the very near term. And the second question on integration. Any more sort of color in terms of how that's gone? Is everything as expected? Is employee have -- employed and maintained as expected? And anything you can mention in terms of potential revenue synergies, where you think -- what you think the opportunities are on that front?

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**Keith Laslop Gamesys Group plc - CFO & Director**

Okay. I'll cover the first one on Japan. In Japan, similar to -- or maybe a reciprocal of annualizing our responsible gaming measures in Q3, starting Q3 2018, we are starting to annualize hyper growth in Japan in Q4 2018. So I always refer to Japan as an overnight success, 5 years in making where we purchased the company in 2014, and it was growing steadily, but slowly, over a number of years, and then things really start to ramp up in 2018. So you will see a strong comp in Q4 with respect to Japan. But we have a fantastic team, and everything is working well out there. So I definitely still see growth in Japan, for sure.

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**Lee Daniel Fenton Gamesys Group plc - CEO & Director**

If I can pick up on the integration piece. Going pleasingly well, I would say, and things have -- obviously, we've known each other for some considerable time. So that eased our integration, as we said, we thought it would at the time. But we formed a completely merged corporate services unit. So that is all effectively done now. We are -- we formed a new EXCO, which is the primary management vehicle in the business. I've just actually stepped out of a day long SLP that we start with a slightly wider group, but really, really positive momentum in terms of bringing those teams together. Of course, there's a lot of show and tell today. There's a lot of understanding what our combined bench strength looks like and what our combined capability looks like, but we'll be -- the SLP today is focused on how we can bring those combined strengths to bet on the existing markets that we serve. But I'd say going well and on plan.

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**Richard Paul Stuber Numis Securities Limited, Research Division - Analyst**

And kind of a follow-up on Japan. You say days, you'd be getting tougher comps in Q4. Is there any sort of impact also from competition? Are you seeing some competition step up as well as the market, I guess, maybe not growing as much? Both things -- you have new entrants coming in, exclusive pricing, anything on that?

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**Keith Laslop Gamesys Group plc - CFO & Director**

We're hearing a lot about new entrants coming in. A lot of our peers are talking about our focus on Japan. We're not really seeing it in terms of our performance.

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**Operator**

The next question comes the line of Simon Davies from Deutsche Bank.

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**Simon John Davies Deutsche Bank AG, Research Division - Head of UK Midcap & Online Gaming Research**

Just a couple from me. Firstly, on Vera&John and that reduction in the margin. Obviously, there's a spike in payment processing. How much of that is just related to mix, i.e., the increased revenue share from Japan? Or are there any other factors at play here?

**Lee Daniel Fenton Gamesys Group plc - CEO & Director**

It's in -- in general, your -- the former is correct. So processing fees in Asia are much higher than in other markets.

**Simon John Davies Deutsche Bank AG, Research Division - Head of UK Midcap & Online Gaming Research**

But you haven't seen any shift within existing markets? It's just the business mix shift.

**Lee Daniel Fenton Gamesys Group plc - CEO & Director**

Yes, essentially.

**Simon John Davies Deutsche Bank AG, Research Division - Head of UK Midcap & Online Gaming Research**

And secondly, just on the U.K., a year after the introduction of enhanced due diligence for VIPs, what's VIP mix within the U.K. business now? And are you seeing ARPU is beginning to fall as the business moves more towards a recreational bias?

**Lee Daniel Fenton Gamesys Group plc - CEO & Director**

I'd say both. Now the VIP mix across all of our brands in the mid-20s, and the U.K. brands in total are relatively consistent. And I would say that ARPU has declined in the U.K.. Stakes have declined in the U.K. You'll see our ARPU increases as -- overall as a whole company, and that's because it's much more of a casino mix, which is higher ARPU in Asia and other Vera&John countries. But ARPU across all of our U.K. brands has declined.

**Neil Geoffrey Goulden Gamesys Group plc - Executive Chairman**

So can I just jump in this, Simon? One thing that I know that Lee and I are very keen to emphasize that, that VIP is the wrong term that we use. We would use account managed customers. And account managed has 2 sides to the sword, one of which is about looking after the customer, ensure they're happy, birthdays and things like that. But the other side of it is responsible gambling. And it's -- if you're an account managed customer, there will be enhanced checks. We will make sure that, that customer is safe as well as enjoying their gambling. So there's 2 sides to it, and that it's socially responsible. And I think the term VIP has been a bit misused.

**Simon John Davies Deutsche Bank AG, Research Division - Head of UK Midcap & Online Gaming Research**

Yes, understood. And lastly, just in terms of your slot games. What percentage of stakes the sub GBP 2 do you think in the U.K.?

**Neil Geoffrey Goulden Gamesys Group plc - Executive Chairman**

The question that we've been asked. Now I know that -- well, the stat that we've been giving is in terms of slots, our average stake is 80p. Now people are asking the average stake size and GBP 2 versus GBP 5 versus GBP 10 largely to see what impact things could have in terms of the APPG. I -- we've been reluctant to provide that information. First, that it's commercially sensitive. Second of all, it doesn't give a clear picture at all in terms of what the impact could be because I can tell you, a tiny percentage of our players only play above GBP 2, and they represent an even tinier percentage of revenue. I -- For investors that I'm sure would want a number, we've done the analysis on our side. And in the very unlikely circumstance that GBP 2 stake comes in. And again, we feel that online gaming is improving its RG measures continuously. And by the time it would come in, I think it would largely be irrelevant because improvements would have been made enough around the industry that it wouldn't be necessary. But if -- from our analysis, it would have around a mid-single-digit impact on our revenues.

**Simon John Davies Deutsche Bank AG, Research Division - Head of UK Midcap & Online Gaming Research**

Okay. Just one last question on the same subject regarding you must have an active lobby within Parliament. Do you have any sense of how much support there is for these measures amongst any of the political parties, i.e., is there a risk we're going to see some of this written up in a labor manifesto, for example?



**Neil Geoffrey Goulden Gamesys Group plc - Executive Chairman**

I think if you're going to see it -- it's Neil, Simon. I think if you get to see it in a manifesto, it will be in the labor one rather than anyone else. And even if you do see it, and you won't see labor saying, we would get to legislate for a GBP 2 stake. What they would say is that they believe that the Gambling Act is out of date, it was put together in 2005 in an analog era and doesn't therefore, necessarily deal with the digital era, and therefore, needs to be updated. And they're saying that about all forms of digital stuff. They're talking about it in taxation they're talking about it in social media stuff. So you're likely to see something can run such responsibility online, in general, from the labor party, and maybe a need to look at the Gambling Act.

As we all know, the Budd report came in, in I think it was 2000. It was christened by Tony Blair in 1999 to look into gambling. It got reported in 2001, the Act that was passed in 2005 and came into force in 2007. So that's sort of time frame you're talking about are the major overhaul of a piece of legislation that maybe they -- they'll look at. I haven't heard any noises of people adopting this report at all. It is a very small group of -- there's only about 9 people in the group, I think. It's a fairly small group. So I think it was rushed out because Parliament was dissolving, and they didn't wait to take evidence from the Minister or the Gambling Commission. So I don't give it much credence at the moment. But at the end of the day, no one could know the fact that this noise surrounding our industry is not good. It's not good for investors. It's not good for staff. It's not good for customers. So it's not good, but I don't think that we're in any way threatened in the medium to -- the short and medium term.

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**Operator**

(Operator Instructions) The next question comes from the line of Terence [Te] from (inaudible)

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**Unidentified Analyst**

Just a quick question from me, just on your KPIs. I mean, you've been seeing your average active customers per month as well as average monthly real money gaming revenues per active customer going up since the end of 2016. I just -- guess on the average monthly spend for active customer, when do you see that sort of like plateauing in light of, I guess, responsible gaming measures as well on your front because it's been going up about 10% over the last -- since the start of 2017? I understand that active customer is going up, you're getting more customers, that's fine. But does it start sort of plateau or take a shift downwards on the spend per customer at some stage?

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**Lee Daniel Fenton Gamesys Group plc - CEO & Director**

I think -- good question. I think that what you're seeing is, and this data is as a company as a whole. And this is with the legacy Jackpotjoy data, so it doesn't include any of their legacy Gamesys brands in it. I -- now our U.K. ARPU is much lower. So our U.K. ARPU is actually in the 60s versus this. And this represents a much higher ARPU in casino. Casino itself is much, much higher ARPU than bingo. And specifically in various jurisdictions, Vera&John jurisdictions, world ARPU is much higher. So I don't think you should actually read too much into this stat and the U.K. because this is not a U.K. stat, it's a group-wide stat. As I've mentioned, ARPU in the U.K. has actually gone down over the last 12 months.

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**Unidentified Analyst**

Okay, understood. And so you're saying it's just in other regions where you're actually getting the higher ARPU overall? And do you see any sort of like responsible gaming measures in the countries that you're in?

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**Lee Daniel Fenton Gamesys Group plc - CEO & Director**

Yes. I think for us, we think about RG as a whole, but various markets have various GDP per capita and different socioeconomic classes are playing different games. So yes, we definitely see much different ARPUs depending on the jurisdiction.

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**Operator**

The next question comes from the line of Ivor Jones from Peel Hunt.

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**Ivor Jones Peel Hunt LLP, Research Division - Analyst**

I wonder if I could start by asking you how you expect regulation to develop next in Japan and in Sweden? It would be helpful maybe if you just give a bit of color on what exactly happened to the Swedish business. But is it coming back? Or is revenue going to 0?

**Lee Daniel Fenton Gamesys Group plc - CEO & Director**

So Sweden, I would actually say that Sweden is an excellent example of a regulator that's gone a bit overboard, and we've been quite conservative in Sweden, maybe I'm saying something contentious, but they -- without speaking to the industry, they've been handing out fines left and right. And the black market in Sweden, if you want to call it that, or operators that are targeting Sweden in an unregulated capacity, not having a license, is growing exponentially. So Sweden is -- I see Sweden, in and around the data that we have, shows that Sweden revenues have gone down 50%-or-so. I guarantee you that the demand hasn't gone away. And that's something that's fundamental within our industry. Demand for gaming is pretty constant. It's just where the player will find its -- his source. And there's lots of operators that are supplying Sweden in an unlicensed capacity.

On Japan, that's a different market. Japan has a huge 1 billion-plus -- 1 billion-plus dollar or pound industry called pachinko, which is unregulated as well, but it's largely tolerated, I should say, is the word. And it's been around for decades. Now Japan has licensed recently integrated casino resorts, that will take some time to come into fruition. I would love to get a license in Japan. It's just not possible at this point in time.

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**Ivor Jones Peel Hunt LLP, Research Division - Analyst**

And do you expect to be able to piggyback on the back of the integrated resort casino license?

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**Lee Daniel Fenton Gamesys Group plc - CEO & Director**

Well, I think that regulation follows a pretty clear path. Normally, you regulate physical and then you regulate online. Normally, that's how jurisdictions tend to work. So I can't predict timing. And in fact, I can't even predict when the first integrated casino resort in Japan will open because it's all over the place. It might not happen for a number of years though. But I do think once physical casinos in Japan are regulated, online will follow. It's just -- it's hard to predict the time frame.

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**Ivor Jones Peel Hunt LLP, Research Division - Analyst**

That's really helpful. And just a couple of other quick things. Is -- anything to say about Virgin Bet in its first few months of operation? When you said VIPs were high 20s, did you mean high 20% of customers or revenue?

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**Keith Laslop Gamesys Group plc - CFO & Director**

I won't -- Ivor, we don't speak about Virgin Bet because that wasn't part of the acquisition. It's an independent company run by the founding shareholders of Gamesys. So we don't have any knowledge or anything, except to say that firstly, I think it's a bloody good website and they're very enjoyable. Other than that, we have nothing to say on Virgin Bet. The VIPs or as we would call them, managed accounts, it was a percentage of revenue, yes. And it's mid-20s.

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**Ivor Jones Peel Hunt LLP, Research Division - Analyst**

Okay. And are we going to see betting within the Gamesys Group?

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**Keith Laslop Gamesys Group plc - CFO & Director**

You may do. No decision's been made on that. That's something very much on Lee's mind as he starts to put together the strategy for the future of the group. And we'll let you know at a time into the future. There's no immediate plans, but it's -- yes, it's something we would consider.

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**Operator**

(Operator Instructions) We have no further questions, I'll hand back over to your host for any concluding remarks.

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**Neil Geoffrey Goulden Gamesys Group plc - Executive Chairman**

Thank you, Simone. Can I thank, everyone, for joining the call. We have a series of investor calls later this afternoon. And I know that Lee, Keith and I are in New York next week. So we look forward to meeting some of you or talk to you later. But if there are any further questions, if you route them in through Jason, we can deal with them. But in the meantime, thank you very much for your attendance.

**Operator**

Thank you for joining today's call. You may now disconnect your handsets.

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