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Half Year 2021 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 - Non-Executive Chair*

PRESENTATION

Operator

Good afternoon, ladies and gentlemen, and thank you for standing by. Welcome to the Gamesys Group plc's H1 2021 Results Conference Call. (Operator Instructions)

Please note that this call is being recorded today, Tuesday, the 10th of August 2021 at 1:00 p.m. London time. If you have not received a copy of Gamesys Group plc's H1 2021 earnings release that was issued before market opened today, you can find it under the Gamesys Group plc's profile on the SEDAR website or on the Gamesys Group plc website at 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 2020 annual report and accounts dated the 7th of May 2021, which you may find on the SEDAR website under Gamesys Group plc's profile, discusses 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 on today's call. For the definitions on reconciliations of these non-IFRS measures, please refer to the RNS we discussed -- issued earlier today.

I will now turn the conference over to Mr. Neil Goulden, Non-executive Chair of Gamesys Group plc. Please go ahead.

Neil Geoffrey Goulden *Gamesys Group plc - Non-Executive Chair*

Thank you. Good afternoon, everyone, and welcome to the Gamesys Group First Half Year 2021 Results Call. Joining me today are Lee Fenton, CEO; Keith Laslop, CFO; and Jason Holden, Investor Relations Director.

As you are aware, Gamesys remains in a bid period governed by the takeover code. On the 13th of April, Bally's Corporation made a recommended offer to combine the 2 groups, Bally's and Gamesys. To effect the combination, Gamesys shareholders were offered GBP 18.50 per share in cash or a share alternative of 0.343 Bally shares for each Gamesys share. At our General Meeting on the 30th of June, 99% of shares voted were in favor of the transaction.

We, Gamesys and Bally's are now working collaboratively towards completion of the transaction, which we anticipate will happen in Q4 of this year. The main focus has been on getting the necessary pre-closure regulatory consents in the U.S.A. and the U.K. Good progress is being made in this respect.

As a result of the ongoing bid period, we, Gamesys, remain bound by the provisions of the takeover code. Therefore, we will not be taking any questions at the end of today's conference call as we are unable to say anything beyond what is in today's H1 statement and the recently published transition documents. We have offered face-to-face meetings for Gamesys shareholders with Jason and myself and stress that these meetings will be bound by the same restrictions and will be chaperoned by one of our brokers.

Turning now to the H1 results. Once again, H1 represented a record revenue performance with group revenue up 17% on last year, and that was with a strong performance in both the U.K. and Asia. Adjusted EBITDA was 16% ahead of last year, driven by a strong growth in revenue and an increase in average active players to 745,000 per month. We delivered a strong 94% conversion from adjusted EBITDA to an operating cash flow of GBP 103.5 million. Our cash conversion remains strong, which enabled us to pay down debt and reduce net leverage, which Keith will cover in more detail.

We continue to seamlessly adapt to the ever-changing challenges of the global COVID pandemic. Foremost in our strategies are ensuring a safe and fun gaming experience for our growing customer base and a safe and flexible working environment for our employees across the globe.

Gamesys is proud of our ESG rating from Bloomberg, which positions us at 41 compared to a sector average of 34 and rates us as the #1 company in our sector. We have signed the United Nations Global Compact on human rights and achieved operational carbon neutrality and have maintained our very strong focus on crafting entertainment with care.

In terms of the government's ongoing review of the 2005 Gambling Act in the U.K., we continue to give constructive input, which focuses on protection of the vulnerable without intruding on the rights of the vast majority of our customers to enjoy their leisure pursuit. We also welcomed the recently published Gambling Commission statistics which show significant reductions in problem and at-risk gamblers. In summary, we believe that Gamesys remains well positioned with entertainment, recreation and community at its heart to deliver sustainable long-term growth.

Finally, as previously stated in the scheme documentation, there will be an interim dividend for 2021 of 15p per ordinary share, payable if the scheme of arrangement does not become effective before the 9th of September 2021. The interim dividend, if payable, will be paid on the 15th of October to shareholders on the register at the 10th of September 2021, and the ordinary shares will become ex dividend on the 9th of September.

I will now hand over to Lee and Keith to add some color to the results.

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

Thanks, Neil, and hello, everyone. I am incredibly proud that our immensely passionate and dedicated workforce has continued to prosper and thrive despite the challenges which the COVID pandemic still presents and that the group has delivered another record set of numbers for the half year. As I've said before, we now know that normal is never likely to return in exactly the same way. So our teams have been working diligently to establish our new hybrid working environment, where we make the very best of our time together in the office that continue to capture the benefits of focus, time saves and work-life balance derived from the time working remotely. As our offices open up across our international footprint, we're also making sure that they are fit for purpose in this new world.

Our purpose is to craft entertainment with care, and we've continued our efforts through H1 to make our sites as entertaining as ever and as safe as they can be. As Neil mentioned, we have seen a 17% increase in revenue and a 16% increase in EBITDA compared to H1 '20. We also saw total deposits rise by 25% over the same period.

We had a record performance from the U.K. in H1, the group's largest geographic market. Revenue growth of 20% was very similar to growth of 21% delivered in H2 2020 and has been driven by popular and established brands, building on leading positions such as Virgin Games and Monopoly Casino; and our newer proposition, Rainbow Riches, continuing its positive trajectory. Meanwhile, our player base continues to grow sustainably, and average monthly actives in the U.K. grew by 10% over H1.

We also delivered a record performance in Asia in H1, building on well-established momentum and against extremely strong comparatives. Revenues moved up 30% and average monthly actives by 24.5%. The group is the clear online casino market leader in Japan, and this success reflects best-in-class operational expertise, investment in product infrastructure, customer support and marketing. Our latest brand launch came to market during the period, [Yugadao], and the early signs are very strong.

Europe was impacted by regulatory measures across a number of markets, namely Spain, Germany and Sweden. And Spain did, however, show signs of stabilizing in Q2 '21 with Monopoly Casino continuing to build momentum in this market. Revenues were also impacted by the withdrawal from some peripheral markets.

In our rest of the world segment, the standout performer in H1 '21 was Canada with triple-digit growth over the same period in '20. Our largest market in rest of the world is New Jersey in the U.S. And we have further invested in head count and our technology platform to support our operations, building a foundation for growth in North America as a whole. Revenues in the rest of the world sector were

impacted by the contraction in some smaller markets in H1.

I will now pass the call over to Keith, who will walk you through some of our balance sheet highlights.

Keith Laslop Gamesys Group plc - CFO & Director

Thanks, Lee, and hello again everyone. As Neil touched on, our strong top line results, accompanied by our best-in-class 28% EBITDA margin and capital intensity ratio, has yielded industry-leading cash flow generation. This cash flow generation, combined with our ample cash balances, dropped our adjusted net leverage ratio to 1.17x as at June 30. This cash flow allowed and allows us to do a number of positive actions throughout 2021 such as we paid a final dividend of GBP 31 million in June to shareholders, which combined with our 2020 interim dividend totaled 40p per share of dividends relating to the 2020 financial year. Our 2021 interim dividend, assuming that the scheme arrangement does not become effective before September 9, will increase 25% from 12p to 15p per share.

Given that cash balances increased over GBP 250 million as at June 30, post the period end, we paid down GBP 100 million of our outstanding term loan. We also entered into an agreement with King Show Games, whereby we paid -- we prepaid \$10 million of royalties in return for 10-year exclusive access to their proven content in certain jurisdictions as well as first-to-market access in others. This as well as further deals we're progressing we feel are a desirable way to build an exclusive, localized and innovative content portfolio globally.

I will now pass the call back to Neil.

Neil Geoffrey Goulden Gamesys Group plc - Non-Executive Chair

Thank you, Keith. Thank you, operator, and thank you, everyone, for joining today's call. Just a reminder also that the script and replay are available or will shortly be available on our website. So thank you all very much for your time. and I look forward to updating you again in due course as we move towards completion. Thank you all very much.

Operator

Thank you, everyone, for joining today's event. You may now disconnect your lines.

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