

IG Group Shareholder Seminar: Underdog | LSEG | October 8, 2026

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00:00:01.192 --> 00:00:18.971

..: Good morning and welcome to the Underdog Shareholder Seminar for IG Group. At this time, all participants are in a listen-only mode. Later, we will conduct a question and answer session. Further instructions will follow at that time. I would like to remind all participants that this call is being recorded.

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00:00:19.142 --> 00:00:25.571

..: I will now hand over to Breon Corcoran, CEO, to begin the presentation. Please go ahead.

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00:00:26.592 --> 00:00:29.371

..: Thank you. Good afternoon, folks, and thank you for joining us.

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00:00:29.622 --> 00:00:36.681

..: Jeremy Levine here on my left, co-founder and CEO of Underdog and Clifford Abrahams, IG Group CFO on my right, join me today.

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00:00:37.162 --> 00:00:50.891

..: We announced the Underdog acquisition at the end of July, and I recognize that it's incumbent on me to explain clearly the conviction I have, and that we have, that the Underdog acquisition will create real value for you, my fellow shareholders.

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00:00:51.892 --> 00:01:01.822

∴ In a few minutes, we'll take you inside the business, and later take questions. But before we do that, I'd like to briefly comment on IG's Q3 trading statement issued last week.

7

00:01:02.692 --> 00:01:18.452

∴ I'm more convinced than ever of the business that we're building. As I said in July 2024, we needed to close product gaps and simplify our propositions to grow active customers sustainably. In Q3, organic active customer growth was 17% year on year.

8

00:01:19.442 --> 00:01:37.311

∴ In July 2025, we announced measures to increase revenue retention in our over-the-counter business. Since implementation, over-the-counter revenue retention has averaged 80% through the end of Q3 2026. We're pleased with this, and we see the potential to increase it further over time.

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00:01:37.682 --> 00:01:47.032

∴ Q3 results themselves were disappointing, reflecting customer positioning in the period, although consistent with our modeling of possible outcomes.

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00:01:47.552 --> 00:01:53.501

∴ Our model is working as expected, and I remain convinced it will deliver better returns over the long term.

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00:01:55.772 --> 00:01:59.842

∴ This slide, which you've seen before, summarizes why we're doing this transaction.

12

00:02:00.222 --> 00:02:07.502

.: Underdog gets us into a high growth adjacent category spanning daily fantasy sports, prediction markets and more.

13

00:02:07.932 --> 00:02:14.082

.: Prediction markets are growing quickly, led by sport, and Underdog is built and designed for sport.

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00:02:14.902 --> 00:02:23.312

.: Underdog performed well in Q3, heading into its busiest quarter of the year, which includes more of the NFL season and the start of the NBA season.

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00:02:24.471 --> 00:02:31.012

.: The business has strong momentum, and I remain convinced that Underdog will accelerate IG's scale and growth profile.

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00:02:32.062 --> 00:02:39.732

.: With that, let's start with a short video introducing the company, and after that, Jeremy will take you inside the business that he has built.

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00:02:44.572 --> 00:02:46.161

.: Hey, let's do this!

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00:02:46.612 --> 00:02:59.692

∴ This is probably the most exciting moment in the history of Underdog. We've gone through 3 or 4 different iterations of working in different regulatory structures, and this time, we get the most open thing we've ever seen, and we have all the space in the world to make it our own.

19

00:03:00.002 --> 00:03:14.031

∴ The emergence of a brand new vertical for us, Prediction Markets, means it's an incredible opportunity for the business. We don't have a stay-in-your-lane culture, which is quite different to a lot of companies. Speed is key. We wouldn't be where we are today if we didn't move really, really quickly.

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00:03:14.422 --> 00:03:16.131

∴ Leave nothing on the table.

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00:03:16.192 --> 00:03:35.911

∴ Just go because that is always rewarded here. All of us can experience to look back and like, holy shit, like I built that. We built that some many years down the line as well. We get to do a lot of things for the first time that are going to make sports more fun for all the sports fans in America. We are truly doing something different. We are forward thinking, change accepting because I think that is the future and we're going to lead.

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00:04:13.752 --> 00:04:19.802

∴ I'm really excited to be doing this, my first one of these public market events, so I'm looking forward to the feedback after.

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00:04:20.102 --> 00:04:28.042

∴ Hopefully I can help answer your questions and give you some context on Underdog and why we're so excited about our performance and the opportunity ahead.

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00:04:28.792 --> 00:04:31.292

.: I'm gonna take you through a bit of our history.

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00:04:31.392 --> 00:04:33.002

.: How we win with product.

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00:04:33.332 --> 00:04:38.711

.: And our results here to date. And I'll make sure to answer the questions we've heard most since announcing our deal.

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00:04:38.922 --> 00:04:40.972

.: How do we succeed in a competitive environment?

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00:04:41.642 --> 00:04:45.751

.: How we capture margin, and how we're well set up for the regulatory developments to come.

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00:04:46.702 --> 00:04:48.612

.: One thing to keep in mind as we go.

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00:04:49.042 --> 00:04:53.701

.: At its core, Underdog has been built for fans to express their opinions on sports.

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00:04:54.312 --> 00:04:59.131

∴ We've always had the view that it's our job to handle the underlying regulatory complexity gracefully.

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00:04:59.312 --> 00:05:02.052

∴ So that the customers can express the opinions they want.

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00:05:02.362 --> 00:05:04.982

∴ Today, I'm excited to show you how we've done that.

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00:05:06.082 --> 00:05:07.862

∴ First, our team.

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00:05:08.402 --> 00:05:17.581

∴ There's two things I talk about at every company in All Hands. People and product. To the point where the company's definitely sick of hearing me say it. I'm very proud of the team we have at Underdog.

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00:05:17.852 --> 00:05:19.312

∴ My background, quickly.

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00:05:19.442 --> 00:05:26.771

∴ I sold my first company, Star Street, to DraftKings in 2014, my second draft to Flutter in 2017, and that's where I met Breon.

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00:05:27.092 --> 00:05:34.742

.: At Star Street, we had built the first Pick'Em Fantasy game. At Draft, we built the first mobile draft game. Both games we now offer at Underdog.

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00:05:34.962 --> 00:05:41.682

.: At Underdog, we were the first to offer peer-to-peer pick'em, and later the first sports operator to put prediction markets in our app.

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00:05:42.702 --> 00:05:44.811

.: A few key folks to highlight on the team.

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00:05:45.012 --> 00:05:55.231

.: Nick Lundgren, our chief legal officer, led the first self-certification of sports event contracts while at Crypto.com. His doing so largely created the Sports Prediction Markets category.

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00:05:55.732 --> 00:05:59.851

.: Will Twin led risk and trading for FanDuel and now runs our market maker.

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00:06:00.012 --> 00:06:03.441

.: And my co-founder, Brandon, is the best product mind I've ever worked with.

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00:06:03.632 --> 00:06:14.621

.: We've got an amazing team of innovators, domain experts, and we've leaned aggressively into AI across the business, especially in how we develop software, and we've seen our velocity improve massively as a result.

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00:06:17.972 --> 00:06:28.552

.: Through our first six years, we were the fastest growing sports gaming company in U.S. history. Net revenue grew from 9 million in 2021 to 441 million in 2025.

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00:06:29.132 --> 00:06:30.541

.: We grew fast.

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00:06:30.642 --> 00:06:37.902

.: Even though we were limited in what we could offer by the regulatory frameworks we operated under, our core product was a fantasy game called Pick'Em.

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00:06:38.082 --> 00:06:42.042

.: In Pick'Em, customers pick how players will perform for a set stats.

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00:06:42.261 --> 00:06:47.761

.: They must always pick multiple players from multiple teams. That's what makes it fit under the fantasy sports regulatory framework.

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00:06:48.062 --> 00:06:55.722

∴ There are no game outcomes or team options at all, and they have no ability to make just a single selection. They had no ability with Pick'Em.

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00:06:55.942 --> 00:07:00.932

∴ We were able to offer about a third of the experience sports fans want, and about two-thirds of the states.

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00:07:01.142 --> 00:07:05.851

∴ It was enough for us to grow extremely fast, especially in the states without legal sports betting.

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00:07:06.312 --> 00:07:08.182

∴ But there was more our customers wanted.

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00:07:09.092 --> 00:07:10.891

∴ You can see on this slide.

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00:07:11.092 --> 00:07:17.352

∴ Some examples of what our customers could do in the fantasy regulatory framework versus what is available via online sports betting.

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00:07:18.312 --> 00:07:27.381

∴ In sports betting, customers can pick a team, a single player, players and teams together, players all from the same team, all things we couldn't offer.

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00:07:28.022 --> 00:07:30.311

∴ That is, until prediction markets.

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00:07:31.032 --> 00:07:39.711

∴ Once sports event contracts became possible, it was clear we could offer a better product to our customers, especially in the key states like California, Texas, and Georgia.

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00:07:41.542 --> 00:07:48.662

∴ So we ran at it. In 10 months, we've moved through three structures. A technology partnership with Crypto.com.

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00:07:48.892 --> 00:07:54.851

∴ our FCM connected to Kalshi, and our own full-stack exchange, UDX, which we launched in July.

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00:07:55.112 --> 00:07:59.152

∴ Each step improved the product for our customers and improved our economics.

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00:08:00.672 --> 00:08:04.072

∴ We've now got the full stack, of necessary pieces.

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00:08:04.312 --> 00:08:07.072

∴ All three of the critical US derivative licenses.

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00:08:07.442 --> 00:08:10.711

.: And FCM... DCM and a DCO.

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00:08:10.952 --> 00:08:15.412

.: We're the only sports first operator live with all three.

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00:08:16.302 --> 00:08:21.662

.: Owning the full stack allows us to offer the best customer experience and capture structurally higher margins.

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00:08:22.092 --> 00:08:26.331

.: A key piece of our offering is our proprietary orchestration layer.

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00:08:26.582 --> 00:08:31.341

.: Via the orchestration layer, we're able to route customer orders depending on where

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00:08:31.662 --> 00:08:40.091

.: Where the order is, and where it's made, depending on what the order is, where it's made, all in service of providing the best experience to our customers.

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00:08:41.802 --> 00:08:47.892

.: You can see here how owning the full stack and having the orchestration layer shows up for our customers.

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00:08:48.042 --> 00:08:53.171

.: All those entry types from a few slides up that our customers couldn't do earlier with us.

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00:08:53.412 --> 00:08:54.442

.: Now they can.

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00:08:54.942 --> 00:09:01.901

.: Singles, combos of any kind, players all from the same team, a single player, really any opinion they want to express.

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00:09:02.212 --> 00:09:03.262

.: Now they can.

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00:09:04.032 --> 00:09:06.421

.: The orchestration layer is the plumbing.

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00:09:06.612 --> 00:09:12.852

.: It handles the regulatory complexity, so the customer never has to think about it. And it all sits in a seamless single app.

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00:09:13.052 --> 00:09:17.931

.: With one account and one wallet, a customer in California used to have player picks only.

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00:09:18.202 --> 00:09:22.262

.: Now, they have players, teams, singles, combos.

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00:09:22.452 --> 00:09:25.972

.: And everything just works. The full offering in almost every state.

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00:09:28.492 --> 00:09:32.901

.: Now that we have the core experience nailed, we get to focus more on net new innovation.

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00:09:33.702 --> 00:09:40.301

.: Since we announced the deal just over two months ago, on July 30th, we've launched two new games, Crash and Rips.

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00:09:40.462 --> 00:09:45.281

.: And this month, we're launching Supercharge, a new market type we think our customers will love.

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00:09:46.302 --> 00:09:53.002

.: Games are driving more and more of our activity, and they're a great example of our product velocity and how it's a key driver of our success.

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00:09:53.492 --> 00:09:57.391

.: And just like the core experience, everything we offer is seamless in the same app.

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00:10:00.112 --> 00:10:11.121

.: Hopefully you can see we've consistently innovated across regulatory frameworks. We started offering single-player fantasy. We then built Champions, the first peer-to-peer picking game, to help satisfy some regulator concerns.

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00:10:11.692 --> 00:10:14.632

.: We launched sports betting under the state regulatory framework.

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00:10:14.822 --> 00:10:18.751

.: But then, when prediction markets came, we quickly sprinted towards the opportunity.

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00:10:18.992 --> 00:10:25.701

.: Operating as a technology service provider, an FCM, and now a full-stack exchange, leveraging our DCM and DCO.

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00:10:26.602 --> 00:10:32.532

.: Our productability and velocity is a massive advantage in our ability to navigate uncertain regulatory environments.

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00:10:33.062 --> 00:10:35.821

.: And there is, of course, uncertainty with prediction markets.

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00:10:36.302 --> 00:10:43.812

∴ We believe the uncertainty is likely to be largely resolved by the U.S. Supreme Court, and we think the final resolution is quite likely to come next year.

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00:10:43.952 --> 00:10:45.541

∴ There are two directions of travel.

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00:10:45.892 --> 00:10:48.301

∴ And we're well prepared no matter the direction.

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00:10:48.572 --> 00:10:52.372

∴ If federal oversight holds as is, you've seen how we're set up in that direction.

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00:10:53.162 --> 00:10:56.971

∴ If the Supreme Court defers authority to the states.

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00:10:57.282 --> 00:11:04.782

∴ There's different variations to what could happen, but would largely go back to the setup that made us the fastest-growing revenue company in the category through our first 6 years.

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00:11:05.972 --> 00:11:08.022

∴ Because of the way we've built our product.

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00:11:08.962 --> 00:11:22.071

∴ Any change in the regulatory environment will be seamless for our customers. They'll be in the same app, same account and wallet, same core experience. And in our key states, it's just a question of which markets are available to them. Do they have team markets?

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00:11:22.352 --> 00:11:26.052

∴ Or, if there are no sports prediction markets, only player markets.

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00:11:26.472 --> 00:11:29.381

∴ We look forward to the clarity, the sooner the better.

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00:11:31.342 --> 00:11:34.962

∴ 2026 has been a year of transformation for us.

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00:11:36.022 --> 00:11:40.942

∴ Last NFL season, prediction markets reset what could be offered to sports fans across the US.

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00:11:41.432 --> 00:11:46.902

∴ We put our heads down this off-season and spent the first part of the year rebuilding our product, as you've seen.

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00:11:48.452 --> 00:11:56.002

∴ Given the product transition we had to make, we deliberately slowed investment, taking marketing spend down over 30% year-to-date.

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00:11:56.212 --> 00:12:03.472

∴ We wanted to make sure we were back to having what we believe is the best product for our customers before spending more aggressively on marketing.

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00:12:03.772 --> 00:12:19.892

∴ The signals from month one of NFL season are very strong, and we're confident that again, we have the best product for our core customers. Customers are engaging more. Handle per customer is up 165% year over year in Q3. Average deposits per customer are up 109% in that same period.

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00:12:20.592 --> 00:12:27.372

∴ Net revenue in our slowest quarter of the year, Q3, was \$105 million, up 118% year-on-year.

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00:12:27.492 --> 00:12:31.121

∴ Hando grew even faster, and monthly actives grew 13%.

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00:12:31.522 --> 00:12:43.301

∴ I do just want to caveat the year-over-year revenue growth in Q3 benefited in part by the sporting calendar, as we had some World Cup in Q3, and by us lapping an unusually bad margin period at the end of last Q3.

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00:12:43.632 --> 00:13:01.422

∴ Also worth pointing out, our business does have variance and volatility tied to sports results. Our results are impacted by the outcomes of games and player performance. So when there are unusually high-scoring games, or favorites consistently win, we'll see it in our results. But over time, we have a lot of confidence in our trading ability and our structural edge.

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00:13:02.572 --> 00:13:15.431

.: Given the product transition we just made and the KPIs we're seeing, we're feeling great about accelerating customer growth as we head into the most exciting sports calendar of the year, with NBA season starting in just a few weeks, and NFL a month into its season.

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00:13:16.672 --> 00:13:17.811

.: To close...

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00:13:18.152 --> 00:13:23.822

.: Underdog is the fastest-growing sports gaming company through our first 6 years, with over 5.5 million deposited customers.

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00:13:25.432 --> 00:13:31.792

.: We're the only sports operator, sports first operator live with an active FCM, DCM and DCO.

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00:13:31.962 --> 00:13:36.332

.: We offer nearly 100% of the sports experience in almost every state in one seamless app.

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00:13:36.742 --> 00:13:47.261

.: Our revenue is well diversified, and we're well set up to succeed under any likely regulatory outcome, and we now head into our biggest quarter of the year with the best product we've ever had.

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00:13:47.922 --> 00:13:49.902

.: And with that, I'll hand it over to Clifford.

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00:13:50.912 --> 00:13:52.152

.: Thanks, Jeremy.

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00:13:52.282 --> 00:13:55.431

.: Let me remind you of the financial highlights.

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00:13:55.622 --> 00:14:01.831

.: We're comfortable the acquisition will deliver strong returns for IG in line with our M&A framework.

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00:14:02.612 --> 00:14:04.712

.: The Tam is large and growing.

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00:14:05.152 --> 00:14:08.961

.: You've seen how Underdog has delivered very strong revenue growth.

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00:14:09.552 --> 00:14:14.141

.: We believe that an underdog can succeed in different regulatory scenarios.

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00:14:14.402 --> 00:14:17.261

.: We're excited about the prospects for the business.

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00:14:17.962 --> 00:14:22.092

∴ Finally, the transaction is structured to incentivize the team to deliver.

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00:14:24.472 --> 00:14:31.982

∴ Underdog more than doubles IG's U.S. revenue and increases U.S. monthly active customers more than tenfold.

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00:14:33.012 --> 00:14:39.581

∴ On a combined basis, the US contributes 41% of revenue, up from 19% now.

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00:14:40.402 --> 00:14:51.672

∴ Underdog also diversifies IG's revenues by product, which we expect to reduce short-time variability, as Underdog's revenue streams are largely uncorrelated with IG's.

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00:14:53.262 --> 00:15:04.251

∴ Following the transaction, Prediction Markets and DFS would represent 27% of combined group revenues, so IG relies less on any one single product.

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00:15:05.772 --> 00:15:10.742

∴ In summary, the transaction brings strong strategic and financial benefits.

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00:15:10.902 --> 00:15:16.521

∴ It accelerates IG's growth, diversifies our products and meets our return targets.

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00:15:18.832 --> 00:15:20.921

∴ Next, a reminder on structure.

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00:15:21.992 --> 00:15:34.632

∴ The \$1.1 billion upfront reflects the enterprise value for 100% of Underdog at closing, or 2.4 times net revenue for the 12 months to June 2026.

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00:15:35.372 --> 00:15:38.611

∴ IG will settle the equity value in two parts.

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00:15:39.552 --> 00:15:48.181

∴ 60% through the issue of 24.1 million new IG shares, a number fixed on 30th July 2026.

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00:15:48.782 --> 00:15:54.151

∴ To be clear, the number of shares we're issuing does not change with the IG share price.

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00:15:55.462 --> 00:16:00.901

∴ The remaining 40% will be paid in cash, funded initially through a bridge facility.

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00:16:02.402 --> 00:16:09.312

∴ On top of that, an earn-out tied to 2026 revenue achieved of up to \$200 million.

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00:16:10.782 --> 00:16:16.302

∴ Separately, there's a management incentive plan which sits outside the purchase price.

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00:16:16.632 --> 00:16:27.761

∴ It rewards eligible employees when Underdog delivers 2028 and 2029 EBITDA targets and Underdog's own earnings will fund it.

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00:16:29.082 --> 00:16:34.602

∴ The earn-out and the management incentive plan pay out only as Underdog delivers.

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00:16:36.242 --> 00:16:39.341

∴ We'll now have plenty of time to answer your questions.

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00:16:39.452 --> 00:16:56.512

∴ Just a reminder that IG has another Capital Markets event on October 22nd focused on IG's existing businesses. So the three of us are available now to answer all your questions regarding Underdog. With that, I'll ask the operator to open us up to questions.

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00:16:57.182 --> 00:17:06.601

∴ Thank you. We will now start the Q&A. If you are dialled into the call and wish to ask a question, please use the raise hand function at the bottom of your Zoom screen.

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00:17:09.562 --> 00:17:15.741

∴ Our first question comes from Ian White from Autonomous Research. Please unmute your line and ask your question.

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00:17:24.732 --> 00:17:27.572

...: Ian, please unmute your line to ask your question.

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00:17:32.582 --> 00:17:33.801

...: Please go ahead.

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00:17:39.062 --> 00:17:39.382

Haley Tam - UBS: Hello?

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00:17:39.382 --> 00:17:42.652

...: Hey, Leeta. Yes, you're online. Please go ahead.

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00:17:43.312 --> 00:18:02.061

Haley Tam - UBS: Hi there, slight confusion, because my name's not Ian, but thank you very much for the opportunity to ask a question. It's Haiti Tam from UBS. Could I ask a couple, please? Firstly, thank you very much for laying out... let me understand, regardless of whether this is a UDX or, crypto or Kalshi.

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00:18:02.232 --> 00:18:14.321

Haley Tam - UBS: ultimate venue for trading, the user doesn't see any difference in the app. If I can confirm that's true, then I guess the second question is, when we look at the data you publish, we can see that the UDX portion has grown from

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00:18:14.362 --> 00:18:22.711

Haley Tam - UBS: say, around 50% of your volumes two weeks ago to now over 75%. I just wondered what your vision is, Jeremy, for the... where the percentage should land.

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00:18:22.762 --> 00:18:29.221

Haley Tam - UBS: And when you say structurally higher margins from owning the whole stack, could you give us any more color on that, please?

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00:18:30.812 --> 00:18:35.601

.: Yeah, of course, thank you for the question, Heidi. So your first question was, does the,

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00:18:35.692 --> 00:18:53.011

.: does the customer see any difference? They do know what venue their trade is executed on, but the core UX, the core flow is the same no matter the venue. And that's a really important part of the orchestration layer and the product we've built, is it's totally seamless for the customer to express their opinions. It's something we're really proud of.

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00:18:55.312 --> 00:19:03.122

.: I think your second question was the comment, a comment on UDX's growth and we have seen UDX scale, scaling up nicely since we

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00:19:03.122 --> 00:19:19.302

.: we have launched it, so we're really, really excited about that. But no specific guidance on the right mix. The mix is ultimately around what provides the best experience to the customers, and ultimately the best economics. So we're gonna, we're gonna let the data continue to drive us in real time on that.

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00:19:22.502 --> 00:19:26.671

Haley Tam - UBS: Thank you. And is there any comment on the structurally higher margins you get from owning the whole stack?

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00:19:27.812 --> 00:19:44.821

.: Yeah, I mean, it's... if you think about a brokered trade versus a trade that executes across every lever, there's ability for economics at every lever, so because we have every single, lever there, there's the ability to capture more economics. We're not giving specific guidance or details on the margin at each level.

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00:19:45.052 --> 00:19:49.842

.: And Hayley, if I may add to that... Because the technology is in-house.

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00:19:49.992 --> 00:19:52.662

.: And the licenses are in-house. We have...

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00:19:52.752 --> 00:20:11.822

.: greater flexibility, and critically also the ability to change things more quickly than we might in a slightly different world. And we believe that the economics, the net customer economics, will benefit from some of the ancillary products we offer around this, which is the point Jeremy was making about diversification. So, to your first question.

163

00:20:12.262 --> 00:20:29.351

.: Customer behavior will determine the end mix of prediction versus DFS, but we are almost agnostic to that over time. And as we broaden the product range around the core stack, we believe we will evidence better retention and better economics per customer.

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00:20:31.082 --> 00:20:31.752

Haley Tam - UBS: Thank you.

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00:20:33.292 --> 00:20:39.821

..: Thank you. Our next question is from Ian White from Autonomous Research. Please unmute your line and ask your question.

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00:20:42.462 --> 00:20:50.221

Ian White - Autonomous Research: I hope you can hear me okay. It is actually Ian White this time. Three questions, please, if I can.

167

00:20:50.352 --> 00:21:01.451

Ian White - Autonomous Research: So to Jeremy, please, simply what most excites you about the combination with IG Group? What does IG bring that improves Underdog, in your opinion, please?

168

00:21:01.722 --> 00:21:13.801

Ian White - Autonomous Research: Secondly, can you talk a bit about your experience running a commercial sports book, which I think Underdog did for a little while? How much cross-selling did you sort of see at that time?

169

00:21:14.122 --> 00:21:26.401

Ian White - Autonomous Research: During the period you ran that offering, obviously then you would have had a broader suite of products, at least for some customers. Did they start doing more with you and move away from other, sportsbook providers? That's question two.

170

00:21:26.462 --> 00:21:38.352

Ian White - Autonomous Research: And lastly, can you help me understand what makes you confident you can, sort of sustainably internalize volumes onto your own exchange?

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00:21:38.392 --> 00:21:51.712

Ian White - Autonomous Research: when there are established sort of liquid markets for some of the products that you might want to offer. Can you just help me understand that, please? I'm thinking around basically best execution on the last point. Interesting thoughts there. Thank you.

172

00:21:52.522 --> 00:21:56.401

.: Yeah, for sure, thank you, Ian, glad we finally got you.

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00:21:56.632 --> 00:22:02.272

.: So, let me start with your first question, just what makes me most excited about IG, and I think it's a few...

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00:22:02.392 --> 00:22:13.712

.: there's kind of some gating factors when we decided... when we decided this, we wanted to team up, and then there's a... there's a few key pieces. So, the gating factors, obviously, are the belief in... in the team, Breon and Clifford,

175

00:22:13.782 --> 00:22:33.681

.: The business led by Michael Healy, Andy Biggs, Sarah on the compliance and legal side has been a great partner already for us. So just seeing the caliber of the people, the culture the team there is building gave us a lot of belief in IG and the business, which obviously if we were going to be part of the business, we want to really believe in it. So that's a big part of it.

176

00:22:33.682 --> 00:22:36.441

∴ But that's kind of the gating factor. Really,

177

00:22:37.092 --> 00:22:40.992

∴ A big part of what drives, I think, the reason this makes a lot of sense is

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00:22:41.502 --> 00:22:49.991

∴ We believe in this coming convergence. Actually, it was Breon who kind of first shared the vision with me a while ago of the convergence of

179

00:22:49.992 --> 00:23:11.972

∴ the different ways a customer can express opinions, not just in sports, but we've got kind of sports as our DNA on one side, and obviously IG's business has another DNA kind of in the financial markets almost on the other side. And it's very clear there's this coming convergence that I think we as a combined company are really well positioned for, and it's gonna be a really big opportunity we talk more about over the next couple years.

180

00:23:12.102 --> 00:23:14.312

∴ So that was a big... that was a big driver.

181

00:23:16.122 --> 00:23:25.601

∴ The question you asked about when we operated a licensed sportsbook in America. So, I think it's worth sharing a bit

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00:23:25.712 --> 00:23:44.851

.: of what our strategy was when we operated mostly under the state regulatory framework. Our strategy largely was use our product, use the Pick'Em product to acquire customers, of course, across the country, but really focused on the states without sports betting. About 40% of the country doesn't have legal online sports betting.

183

00:23:44.852 --> 00:24:02.432

.: That's big states like California, Texas, Georgia. In those states, we were the best legal way for a customer to express their opinions on sports. And as a result, we had tremendous growth in those states. There was always the belief that over time, states that didn't have legal sports betting would legalize sports betting.

184

00:24:02.432 --> 00:24:07.001

.: And our strategy always was to then offer that in.

185

00:24:07.112 --> 00:24:11.781

.: A seamless experience, all in the same app, where the customer effectively

186

00:24:11.942 --> 00:24:25.321

.: Not much changes for them, except they now have more markets. They now have teams. And some of the restrictions that they had to do or they had to stay within the fantasy regulatory framework, those restrictions are all gone. So now they can do anything they want.

187

00:24:25.652 --> 00:24:43.312

.: So that was the strategy. When we launched Sportsbook in the one state we did in North Carolina, we obviously saw a ton of cross-sell, because we didn't have to move a customer from one app to another, from one account or one wallet to another. We didn't have to move them at all, we just were able to put more markets there and take away restrictions. So customers kept on doing

188

00:24:43.712 --> 00:24:54.082

∴ largely the same things with more options, and a lot of them cross-sold into what was then OSB, because in that case, we turned off Fantasy, and it all became OSB.

189

00:24:54.852 --> 00:24:58.222

∴ We had our... if you think about our customer history.

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00:24:58.412 --> 00:25:17.922

∴ their... what they do in fantasy, it always has to be multiple players, so it's very similar to what in sports betting is considered a parlay. We had, in sports betting, I believe the highest parlay mix across the category, because that's what our customers were used to doing in our app, and that's really what our interface was built for. We've seen a very similar thing if you kind of

191

00:25:18.372 --> 00:25:30.851

∴ Think about the same strategy. We've now got to deploy that with prediction markets. So, in our app, in California, customers went from before last September, it was only players, now to having players and teams.

192

00:25:30.942 --> 00:25:39.241

∴ All the restrictions that were there in fantasy sports removed from them, and now they can express whatever opinions they want, and we're seeing that show up, obviously, in our data.

193

00:25:41.402 --> 00:25:45.152

∴ I think your third question was around, how are we confident in our ability to

194

00:25:45.382 --> 00:25:49.752

∴ Have volume on the exchange and execute trades on the exchange,

195

00:25:49.882 --> 00:25:53.652

∴ And look, it's about... The customers and what the customers want to do.

196

00:25:54.622 --> 00:25:58.551

∴ What is offered across prediction markets, the

197

00:25:59.292 --> 00:26:03.042

∴ Currently, the markets themselves are largely

198

00:26:03.152 --> 00:26:09.602

∴ Commodities, a big part of the markets, our singles certainly are, and then you can think about combos as more bespoke.

199

00:26:09.712 --> 00:26:21.001

∴ But really again, it's about the customer owning the relationship with the customer and what that customer wants to do, which is express an opinion on sports, right? It's not for them about what venue do they execute on.

200

00:26:21.782 --> 00:26:24.521

∴ what regulatory framework is that under? It's about

201

00:26:24.652 --> 00:26:30.132

.: Hey, are the Patriots... I'm a Patriots fan, so I'm gonna use them in references all the time. Are the Patriots gonna win today, and how are their players gonna do?

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00:26:31.142 --> 00:26:37.482

.: Just to build on that, Ian, as you know, some of us have experience from the Betfair Exchange days.

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00:26:37.702 --> 00:26:46.581

.: And whilst important liquidity is very important, liquidity doesn't predetermine -- doesn't necessarily predetermine success. So we think there will be multiple exchanges

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00:26:46.792 --> 00:26:51.152

.: And to the specific question about best execution.

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00:26:51.582 --> 00:26:54.391

.: Without just going back to what Jeremy said.

206

00:26:54.642 --> 00:27:13.392

.: We obviously have considerable experience of operating in regulated financial markets, where things like best execution are core to the product offer. So I think as this market evolves over the coming months and years, we will bring some capabilities to the table to bolster,

207

00:27:13.782 --> 00:27:18.031

.: the incredible customer centricity and product velocity that Underdog brings.

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00:27:21.042 --> 00:27:30.521

Ian White - Autonomous Research: Thanks for that. Can I follow up just briefly on the final point? Is it about what customers want to do, or is it about sort of...

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00:27:30.702 --> 00:27:49.402

Ian White - Autonomous Research: sort of what is required by regulation, basically? Can customers say, look, I want to execute on Underdog, or do they just sort of hand you a position and say, I want the best price for that? And you have to kind of work out the answer to that, whether it's internal or third party. And then just on the point that you made, Brayon, am I sort of hearing correctly that

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00:27:49.402 --> 00:27:56.162

Ian White - Autonomous Research: You're really talking about here about offering proprietary liquidity, your own market making basically to boost.

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00:27:58.932 --> 00:28:02.091

Ian White - Autonomous Research: on own venue. Is that where this is likely to go?

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00:28:03.222 --> 00:28:04.142

.: Yeah, so.

213

00:28:04.592 --> 00:28:21.392

.: the customer, to be clear, the customer does know, it's there in the text, what venue their trade is ultimately going to execute on. But a customer is not coming in to Underdog saying, I want to execute on UDX, I want this to be fantasy, I want this to be on a different platform. They're coming in and saying.

214

00:28:21.472 --> 00:28:35.202

.: I want this combination I want, or I want this single, the Patriots to win, that I want, and of course they're gonna want the best price at the amount they want for that. And so that's what our orchestration layer does seamlessly behind the scenes, so they don't have to think about it.

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00:28:35.352 --> 00:28:46.871

.: Again, it's about the opinion the customer wants to express. We handle everything gracefully below the scenes, and it's a huge part of the value, the value stack for us, and the value we built in the product.

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00:28:46.872 --> 00:28:57.621

.: And on, the liquidity part, I mean, as we bring on more and more market makers, obviously there's growing liquidity, and we've got a lot of customers that, as well, provide the liquidity into the platform.

217

00:28:57.852 --> 00:29:01.081

.: It's, it's, it can be dangerous to be.

218

00:29:01.772 --> 00:29:03.951

.: Seduced by all the similarities.

219

00:29:04.142 --> 00:29:08.091

.: But I think there's a probable end state here where.

220

00:29:08.542 --> 00:29:12.451

.: customers express, to use Jeremy's words, customers express opinions.

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00:29:12.882 --> 00:29:18.211

∴ They get filled through a... A selection of exchanges.

222

00:29:18.402 --> 00:29:25.031

∴ where there are varying mix of market makers depending on what customers are expressing an opinion on. And that

223

00:29:25.202 --> 00:29:32.661

∴ resonates a bit with putting the sportsbook on top of the exchange at Betfair, where we were able to offer different

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00:29:33.492 --> 00:29:49.542

∴ product to differentiate ourselves from sportsbooks and to differentiate ourselves from exchanges because we had product flexibility and promotional flexibility that people who just operate in one reg stack or one tech stack don't have.

225

00:29:50.192 --> 00:29:55.632

∴ In terms of the opportunity for IG, whilst these are enormous, enormous markets.

226

00:29:55.952 --> 00:30:09.252

∴ we can transform the prospects for IG shareholders by just being an active, growing, profitable part of them. And I do think this is not going to be winner-take-all. I think there will be multiple,

227

00:30:09.542 --> 00:30:11.452

..: Winners in the coming years.

228

00:30:13.662 --> 00:30:14.802

Ian White - Autonomous Research: Thanks a lot, thank you.

229

00:30:15.972 --> 00:30:22.301

...: Thank you. Our next question is from Jordan Bender from Citizens. Please unmute your line and ask your question.

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00:30:24.132 --> 00:30:33.391

Jordan Bender - Citizens: Hey, everyone, thanks for the question here. I maybe want to start on the customer acquisition. You guys sort of talked on it, Jeremy, but with

231

00:30:33.392 --> 00:30:56.022

Jordan Bender - Citizens: The products that you're now adding to the platform, you know, we think the crash product pack rips, are you seeing customers that you're acquiring from those specific categories, maybe less sports minded customers coming onto the platform, or is it still the main funnel here coming from what was legacy DFS going into PM and then into those smaller product offerings?

232

00:30:56.022 --> 00:31:20.161

Jordan Bender - Citizens: And then on the second one, you know, I think you guys just kind of touched on a little bit, if we can elaborate a little bit more around the promos or the financial incentives, you know, you own the whole stack. In theory, that could allow you, to freely give more money or customer incentives towards your customers or attain more of the economics in the long run. Jeremy, can you just kind of talk about the strategy there, and maybe the advantage that gives you versus your peers?

233

00:31:21.762 --> 00:31:24.692

.: Yeah, absolutely. Thank you for the question. Thank you for tuning in, Jordan.

234

00:31:24.722 --> 00:31:35.172

.: So first question was on what we're seeing in the early data for customer acquisition for our new games products.

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00:31:35.172 --> 00:31:47.862

.: Look, we've only had a month with the games for the most part, so not ready to share a lot of data yet. But you asked about cross-sell specifically, and we are seeing really nice signs of cross-sell both ways. But we've got a lot to develop, a lot to learn on that.

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00:31:48.682 --> 00:31:50.951

.: Your second question I think was just about.

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00:31:51.702 --> 00:31:59.102

.: The optionality, and the opportunity kind of we have by owning the full stack and it's obviously a really key part of what.

238

00:31:59.272 --> 00:32:15.532

.: our strategy has been and what sets us up for success is the full stack and the seamless integration of payment methods, promo mechanics, again, the ability for the customer to simply want to express an opinion and have that executed best for them.

239

00:32:15.872 --> 00:32:35.721

∴ And then obviously in owning each of the vertical pieces of it, we've got so much flexibility to be able to provide the best customer experience. And as I obviously talked about in the presentation, our North Star always is how can we offer the best experience possible to the most customers? And we think as long as we follow that North Star, it will continue to drive us obviously to the economic rewards as a result.

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00:32:36.642 --> 00:32:40.102

∴ Just to build on that Jordan.

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00:32:40.462 --> 00:32:45.251

∴ We expect customers to come in through all of these different top-of-funnel devices.

242

00:32:45.611 --> 00:32:50.421

∴ We see customers come in through the RIPS pack, which you'll probably know

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00:32:50.651 --> 00:33:05.981

∴ is a very fast-growing adjacent category in the United States. We also see customers migrate and change their behaviors who started in a Daily Fantasy background. We also see customers coming from states where Daily Fantasy previously wasn't a thing.

244

00:33:06.052 --> 00:33:16.002

∴ And I think the trick to maximize value creation in the coming years will be to really understand the unit economics for customers coming in through different

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00:33:16.112 --> 00:33:19.122

∴ Parts of the funnel, who then will cross-sell

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00:33:19.472 --> 00:33:23.072

∴ To varying degrees to other parts of the business and.

247

00:33:24.152 --> 00:33:27.912

∴ You referenced promos in particular, doing that properly.

248

00:33:28.262 --> 00:33:40.161

∴ cognizant of regulatory constraints as and when they evolve, I think will be part of the way we'll capture value for shareholders and maximize the experience for customers in the coming years.

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00:33:42.472 --> 00:33:43.361

Jordan Bender - Citizens: Thank you very much.

250

00:33:44.262 --> 00:33:51.511

∴: Thank you. Our next question is from Ben Bathurst from RBC Capital Markets. Please unmute your line and ask your question.

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00:33:54.602 --> 00:33:56.761

Ben Bathurst - RBC Capital Markets: Afternoon, hopefully you can hear me okay.

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00:33:57.762 --> 00:34:07.371

Ben Bathurst - RBC Capital Markets: Great. So I was wondering if you could just talk a bit more about your vision for the business in the more adverse scenario for prediction markets, so Scenario B.

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00:34:07.372 --> 00:34:23.312

Ben Bathurst - RBC Capital Markets: Am I right in saying that you envisage opening back up into DFS products in those states where you've recently surrendered licenses? And also, if the Supreme Court does ultimately rule against sports prediction markets, might you consider moving into regulated.

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00:34:23.312 --> 00:34:24.232

Ben Bathurst - RBC Capital Markets: gambling.

255

00:34:24.362 --> 00:34:28.782

Ben Bathurst - RBC Capital Markets: To sort of broaden your target market, and just, if not, why not?

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00:34:29.202 --> 00:34:30.082

Ben Bathurst - RBC Capital Markets: Thank you.

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00:34:30.662 --> 00:34:33.622

∴ I'll take the second one, Jeremy will take the first one.

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00:34:34.542 --> 00:34:37.562

∴ It's too early to say what will happen.

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00:34:38.292 --> 00:34:40.671

.: At the Supreme Court, and...

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00:34:41.242 --> 00:34:52.572

.: Since we announced the deal on, I think, the night of July 30th, there's been an awful lot of news, legal and political. We were expecting a lot of noise.

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00:34:52.882 --> 00:34:54.752

.: There's been plenty.

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00:34:56.582 --> 00:35:12.371

.: Probably one of the things that has changed since July 30th is the split court decision. Looks like that will be an accelerant to getting to a Supreme Court judgment. So probably end state certainty is coming sooner rather than.

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00:35:12.432 --> 00:35:19.431

.: sooner than probably we had of -- we might have anticipated. I think that's a good thing. But

264

00:35:19.682 --> 00:35:36.231

.: Jeremy, I think, is now going to talk to the flexibility of the product and the team. I think it's too early to judge yet. I think, irrespective of the Supreme Court outcome, we will have a customer base, he's referenced 5 million depositing customers already, of young.

265

00:35:36.672 --> 00:35:56.592

.: Typically 20 to 40, typically male people that are interested in sport that we know are also trading on other asset classes. But guessing what will happen at the Supreme Court and what we will do thereafter, other than hoping to remind people that we have considerable optionality, I think it's just too early to say what the end state will be.

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00:35:56.592 --> 00:36:01.151

.: But do you want to take the first question about DFS? Yeah, for sure, Ben. I'll take your question kind of as...

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00:36:01.442 --> 00:36:07.812

.: What do you do if the Supreme Court does defer authority back to the states?

268

00:36:08.542 --> 00:36:14.192

.: And your question, and kind of answered it, yes, we'll, we'll, we'll.

269

00:36:14.232 --> 00:36:31.282

.: shift more of our flow, or predominantly all of our sports flow, back to the fantasy sports, the DFS regulatory framework. You asked about the states that we recently surrendered licenses in, so let me just explain that. We surrendered licenses in seven states recently. We did that because in conversation with those regulators.

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00:36:32.262 --> 00:36:38.442

.: They, those regulators are not fans of prediction markets, and if we wanted to offer prediction markets, it would have.

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00:36:38.442 --> 00:36:56.912

∴ they would have preferred, or kind of we would have preferred, given the relationship, that we're not also offering Fantasy in those states. Six of those seven states, we did not offer the core Pick'Em game that I've taken you through in this presentation. We only offered our Drafts game. And while we love the Drafts product and the community that comes with it, it is...

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00:36:56.912 --> 00:37:04.801

∴ a very, very low, immaterial piece of our revenue mix. So in surrendering 6 of those states,

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00:37:04.842 --> 00:37:15.211

∴ it was essentially no revenue surrendered if we have to go back to fantasy if prediction markets go away. And then there's one other state where we have a lot of confidence that if

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00:37:15.322 --> 00:37:21.481

∴ Prediction markets go away and we want to re-enter that state, there is a fast path to doing so.

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00:37:21.742 --> 00:37:23.442

∴ So that's on the fantasy side.

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00:37:23.612 --> 00:37:37.241

∴ As Breon kind of articulated, we've built a new capability recently, obviously, with our exchange, and there is a lot that can be offered on that exchange via Prediction Markets and other asset classes if and when, or even without.

277

00:37:37.362 --> 00:37:41.932

∴ Sports prediction markets going away in either outcome, and that is something, over time, we obviously will develop.

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00:37:41.962 --> 00:37:55.372

∴ We're also, as shared in the presentation, now able to spend a lot more of our time and energy on new games and experiences as we really feel good about our core product offering. So that will continue and we'll continue to develop.

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00:37:55.372 --> 00:38:04.322

∴ More resonant games there that give us more ways to acquire customers, retain customers, engage customers, monetize those customers, and obviously help diversify our revenue.

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00:38:04.322 --> 00:38:15.991

∴ And then you asked, would we go into regulated OSB? And that's absolutely a question that we'll answer and evaluate, and we certainly have the capabilities to do so if that's what's best for our business. So, again, we feel...

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00:38:15.992 --> 00:38:27.452

∴ Really well set up for any outcome, and would certainly kind of like the uncertainty, or the limbo to get answered sooner than later, because we feel really good about either path for ourselves.

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00:38:29.562 --> 00:38:30.472

Ben Bathurst - RBC Capital Markets: Thank you for that.

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00:38:31.812 --> 00:38:38.101

...: Thank you. Our next question is from David McCann from Deutsche Bank. Please unmute your line and ask your question.

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00:38:39.542 --> 00:38:46.452

David McCann - db: Yeah, morning, good afternoon indeed, everyone. Yeah, a few questions from my side, a couple on the numbers, if that's okay. So the first one.

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00:38:46.452 --> 00:39:00.812

David McCann - db: If we add up the Q1 and Q3 revenues, you've given us 35 million. And you said that Q4 is typically a third of the revenues historically. And that implies you'll get to maybe 533 for the full year, which puts you right on the cutoff for the the earn out.

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00:39:00.812 --> 00:39:08.091

David McCann - db: I mean, is that how you see things? How likely is an acceleration in Q4? In order that you achieve the I know that's the first question.

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00:39:08.242 --> 00:39:21.101

David McCann - db: Then thinking about the 400 million and 700 million EBITDA implied by the management incentive plan payouts, what kind of revenue growth do you need from this year to actually get to those points?

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00:39:21.102 --> 00:39:29.082

David McCann - db: And I guess what gives you the confidence that you might be able to do that? I appreciate that's the very upper end, but, you know, what kind of revenue does the business actually need to deliver to get there?

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00:39:29.432 --> 00:39:43.552

David McCann - db: And then, you know, final one really from me on this, how much of the growth to get there comes from new products to the existing customer base versus customer growth? Where is that growth really going to come from? Thank you.

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00:39:44.142 --> 00:39:49.841

.: Jeremy, I'm going to try and take those. Clifford, I'm going to let you take the middle one, I think.

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00:39:49.982 --> 00:39:54.172

.: The third one, I appreciate people would like to model the business.

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00:39:55.672 --> 00:39:59.772

.: But this business... Is... Young.

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00:39:59.972 --> 00:40:03.032

.: I'm rapidly changing in a rapidly changing

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00:40:03.272 --> 00:40:06.902

.: Legal and political world as well. So...

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00:40:08.132 --> 00:40:18.281

.: Without oversimplifying, I think Jeremy's job and what Jeremy's success and his team's success to date is to navigate customer demand by building great product.

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00:40:18.432 --> 00:40:22.231

∴ And that gives us confidence,

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00:40:22.392 --> 00:40:36.271

∴ that almost irrespective of the product makes, to your third question, that we can build a business together that delights customers and retains them in the medium term. To go back to the first question, which I think was about the likelihood of hitting the earn-out.

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00:40:36.302 --> 00:40:43.192

∴ We use this -- we correctly use the phrase that Q4 last year was more than a third of revenues. I actually think

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00:40:43.252 --> 00:40:53.671

∴ And I actually think it was closer to 40% of revenues last year, but last year was also a high growth year, and we thought it might be sensible to call out that,

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00:40:54.372 --> 00:41:10.371

∴ So, you know, tempering that optimism about Q4 seems wise. We've looked at other public companies, as you can, to see their sports mix, and Q4 is the most important quarter for most of these American sports-focused businesses.

301

00:41:10.582 --> 00:41:13.751

∴ 3 weeks old at the end of September.

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00:41:14.152 --> 00:41:31.281

∴ the NBA starts, I think, on October 20th. So, this is the critical time in the year, and the seasonality, even speaking as a former bookmaker, the seasonality of the sporting calendar in the United States is something to behold. Your middle question, which I'm going to pass to Clifford, was about

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00:41:31.572 --> 00:41:34.952

∴ In some ways, the likelihood of addressing the earnout,

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00:41:35.222 --> 00:41:41.682

∴ You can get there many ways, and Jeremy, and indeed his colleagues,

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00:41:42.092 --> 00:41:51.721

∴ have got there in one way. We think about it in similar but different ways. Clifford will frame it in a way that perhaps is tidiest for you, but I look at the Tam of the...

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00:41:51.892 --> 00:42:05.772

∴ listed U.S. sportsbook businesses, FanDuel and DraftKings, let's call that \$7.5 billion. They're the vast majority of the market, probably 80%, but they're only in 30 states. And then you layer on top of that Daily Fantasy.

307

00:42:05.782 --> 00:42:19.412

∴ Prediction Markets and some of the other ancillary products. So you've obviously got an enormous Tam and are growing quickly. This team year to date, despite extraordinary change in the business, have grown at 30% year on year.

308

00:42:19.412 --> 00:42:30.992

∴ So, I think they should have confidence to back themselves to grow at a similar kind of rate to that, which should get them deep into the money. Do you want to be a bit more specific, or would you rather not? Well, I think we've...

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00:42:31.682 --> 00:42:49.771

∴ we know... we've guided somewhat around what we think revenue growth can be, so we said that it would accelerate IG's growth, and that we expect at least double-digit medium-term from IG, so we're looking to, underdog to accelerate IG's growth. I think in terms of

310

00:42:49.772 --> 00:43:00.571

∴ modeling, we felt that -- we collectively felt that an earn-out in this year made sense as the business is building its revenue and customer base.

311

00:43:00.602 --> 00:43:15.442

∴ that next year is an opportunity for the business to really scale and accelerate. And then having alignment around EBITDA kind of makes sense. It gives the business enough time and the team enough time to deliver good margins and profitability.

312

00:43:15.442 --> 00:43:31.581

∴ and it aligns, let's say, the underdog team with IG more broadly, and shareholders in particular. If you look at some of the consensus and some of the models out there, I'm sure you've done your own model, you can see that some of the sell side have modeled

313

00:43:31.582 --> 00:43:41.562

∴ 20% plus revenue. That's a bit lower than what the team have delivered over the last few years. And margins in the sort of high teens.

314

00:43:41.562 --> 00:43:58.451

.: I guess those sell-side analysts have looked at other comparables and peers. So I'm not... and I think when you model that out, actually, that gets you okay returns, maybe not quite double digits, and a little bit south of the EBITDA numbers that we've targeted the team to deliver.

315

00:43:58.452 --> 00:44:01.732

.: That'll give you a bit of a framing. I'm highly confident

316

00:44:01.732 --> 00:44:16.721

.: you can run your own models to do the sort of revenue growth versus margin optimization to see where that gets you. But it's really impressive how aligned and motivated the team have been. We've got to know the team.

317

00:44:16.762 --> 00:44:20.871

.: Well, through the transaction in the last few months, and we're looking forward to delivering.

318

00:44:25.532 --> 00:44:31.612

...: Thank you. Our next question is from Alex Bowers from KBW. Please unmute your line and ask your question.

319

00:44:34.962 --> 00:44:37.491

Alex Bowers - KBW: Hi. So, two questions, if I may.

320

00:44:49.292 --> 00:44:50.161

Alex Bowers - KBW: Can you hear me?

321

00:44:51.712 --> 00:44:52.962

..: Yes, please go ahead.

322

00:44:53.442 --> 00:45:04.992

Alex Bowers - KBW: I got two questions. Just firstly, could you talk a bit about the marketing strategy for the business, and in terms of how you think about customer acquisition costs, and kind of the marketing ramp-up over the next few quarters?

323

00:45:05.112 --> 00:45:16.032

Alex Bowers - KBW: And then just sort of secondly, kind of the point, that was made around IG groups overall, double-digit growth aspirations, which includes, I guess, includes Underdog.

324

00:45:16.242 --> 00:45:27.012

Alex Bowers - KBW: Could you just kind of confirm whether, kind of, the revenue retention point for IG Group, like, how material that is to that aspiration, or was that kind of excluded from that kind of double-digit, aspiration? Thanks.

325

00:45:27.942 --> 00:45:32.192

..: Thanks, Alex. Let me take the marketing one second. Do you want to take the... The retention one first?

326

00:45:32.622 --> 00:45:46.761

.: Yes. I mean, you saw our trading statement last week. I mean, we were disappointed with Q3 retention at around 70%, but we also reconfirmed our medium-term guidance because we feel that

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00:45:46.802 --> 00:46:06.671

.: We know that retention can be volatile within any particular quarter, but we're comfortable in our risk management approach. We're looking to improve it over time, of course, but we don't think they're necessarily related. So we've reconfirmed our medium-term guidance reflective of that risk management approach.

328

00:46:06.692 --> 00:46:16.962

.: I think it's important that we understand our medium-term guidance is just that, not a commitment or a guidance in any one year. It's subject to market conditions.

329

00:46:16.962 --> 00:46:26.702

.: And we'll move higher and lower accordingly, and clearly we expect more volatility around retention in any one quarter than in any one year, so...

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00:46:26.702 --> 00:46:44.601

.: We maintain that guidance, and we'll clearly... that's one thing that we'll talk about at our event on October the 22nd, where we'll talk about the future prospects of the business, including Underdog. But we do feel, as we indicated at the end of July, that the Underdog's growth rate will accelerate the overall growth of the group.

331

00:46:45.482 --> 00:47:04.952

.: Thanks, Clifford. Alex, you asked about marketing and our marketing strategy, and I think, obviously, a handful of pieces to this. So we very much view Underdog as, I think you could tell from your

presentation, as a product-led company, and we view marketing very much through the lens of product-led growth. Historically.

332

00:47:05.212 --> 00:47:19.921

∴ over a third of our customers have come from directly attributed referrals, from other customers playing on Underdog. So, we do a lot to build an experience that people want to play with their friends, share with their friends, and do so.

333

00:47:20.032 --> 00:47:26.401

∴ And that's always a focus. Also an experience that people enjoy, have fun with, leads to that virality.

334

00:47:27.042 --> 00:47:32.911

∴ We have a real philosophy in marketing of our job is to show and make sports more fun.

335

00:47:32.912 --> 00:47:50.821

∴ It's to be part of the sports moments in a way that enhances the experience for our customers. And our marketing, as you can imagine, is very seasonal, right? It's very based around the sports calendar, the key sporting events, the key sporting moments. And so you'll see that in the summer.

336

00:47:50.932 --> 00:47:58.071

∴ At a lot lower when football season picks up, starts, it picks up when NBA season adds in,

337

00:47:58.302 --> 00:48:13.932

∴ is when it really accelerates. We're now obviously heading into the most important and biggest piece of the year by far. So, you'll see hopefully more and more, especially if you're in the US, you'll see more and more of Underdog, our brand, our campaigns, some of the really fun, creative,

338

00:48:14.372 --> 00:48:26.191

∴ things we do, we've got a team we call the Rascals that kind of does guerrilla marketing, and the key, the key there is to really know sports. We always say, we know ball, is kind of a principle of our marketing.

339

00:48:26.192 --> 00:48:45.302

∴ To know sports and make sure we show up in the sports moments and in a way that make it more fun for our customers. We've done that in a bunch of ways to date. I'm sure you, you can see or hopefully have seen some of, some of the ways that we've kind of cut through with marketing messages that often don't cost much money at all, but make us really part of a key moment, and, and there's hopefully a lot more of that to come as well.

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00:48:45.822 --> 00:48:49.382

∴ And just to, if I may, just to build on that, I think,

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00:48:50.892 --> 00:48:55.732

∴ One of the places... it's a crowded market in the United States, you've got some of the...

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00:48:56.022 --> 00:48:58.442

∴ Prediction market businesses that are.

343

00:48:59.222 --> 00:49:04.142

∴ About everything rather than sports, you've got some of the legacy online sports.

344

00:49:04.472 --> 00:49:05.772

∴ brands that...

345

00:49:07.122 --> 00:49:21.542

∴ customer research suggests have become a little dated. There's Underdog, maybe there's PrizePix, but one of the areas where Jeremy's colleagues have been most keen to get support from us is just on how you scale marketing.

346

00:49:21.882 --> 00:49:32.701

∴ through the year, and in a somewhat crowded market. And one of the things we're very proud of, or I'm very proud of at IG over the last couple of years, is as we've run the business more efficiently to fund marketing.

347

00:49:32.782 --> 00:49:41.962

∴ The returns on that have been very encouraging as well. So I think that's one of the IP synergies that we hope to be able to mutually support each other.

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00:49:42.122 --> 00:49:43.292

∴ Over the coming years.

349

00:49:45.292 --> 00:49:45.872

Alex Bowers - KBW: Thank you.

350

00:49:46.822 --> 00:49:59.372

..: Thank you. As a gentle reminder, if you wish to ask a question, please use the raise hand function at the bottom of your Zoom screen. Our next question comes from Hayley Tam from UBS. Please unmute your line and ask your question.

351

00:50:02.582 --> 00:50:09.111

Haley Tam - UBS: Thank you very much. Sorry for coming back for a second pass. Could I just follow up on some of the questions you've already had?

352

00:50:09.202 --> 00:50:23.291

Haley Tam - UBS: In terms of the different regulatory scenarios that you highlighted, I guess the simple question is how quickly do you think you could pivot from prediction markets back to, say, daily fantasy sports?

353

00:50:23.552 --> 00:50:40.291

Haley Tam - UBS: Then there's a second question, actually, more about Q3 that you've just done, the \$110 million of revenue. Can you give us any more color on how much of that came from daily fantasy sports versus prediction markets, and perhaps within prediction markets, how important

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00:50:40.442 --> 00:50:42.641

Haley Tam - UBS: To your revenue line, the different types

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00:50:42.862 --> 00:50:49.012

Haley Tam - UBS: of trades are, so parlays versus single game or player contracts. That'd be interesting. Thank you.

356

00:50:50.012 --> 00:51:01.022

.: Thanks, Haley. And apologies, I think I called you Heidi earlier. So on the Q3 revenue mix, I don't think we're going to disclose the specific revenue mix.

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00:51:01.302 --> 00:51:14.152

.: on the regulatory, how quickly could we pivot if something changed? If that change happened right now, I'd make a phone call, and probably within... certainly within 30 minutes, our app would...

358

00:51:14.552 --> 00:51:33.461

.: would be working under that new regulatory framework. We built the app seamlessly for that with the orchestration layer, and it's something, as we navigated different kind of state environments, we often had to have different configurations in different states, so it's something our product back-end, and as a result, obviously, the front-end is well built for. So, it's a real kind of...

359

00:51:33.572 --> 00:51:40.861

.: Key of the orchestration layer, the seamless single app, and the whole strategy is how quickly we can pivot to any effective outcome.

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00:51:41.242 --> 00:51:49.591

.: Just to, Hayley, to add to that, I think mixed questions, I understand the rationale behind them, but they're going to change enormously.

361

00:51:49.772 --> 00:51:50.662

.: Umm.

362

00:51:52.232 --> 00:51:58.591

.: Over the coming few months, I think that's probable based on, you know, Jeremy and I sat down and looked at the product pipeline for the next

363

00:51:59.212 --> 00:52:06.191

.: 3 months a few times over the last few days, and that's going to change things, plus how effective we are at spending marketing dollars.

364

00:52:06.322 --> 00:52:15.342

.: even on a geographical basis will change mix as well. So I really think that level of granularity is unhelpful.

365

00:52:16.042 --> 00:52:24.662

.: And that the big picture is just a little bit more helpful for right now. Whilst he says he can change things in 30 minutes, that is true.

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00:52:26.582 --> 00:52:29.922

.: We were astonished at how quickly they could launch the exchange.

367

00:52:30.562 --> 00:52:39.852

.: And, you know, the fact that I think in the end you were 4 days late, the fact that anything could be 4 days late, and that they would feel slightly aggrieved about that, when I'm more accustomed to things being

368

00:52:40.612 --> 00:52:42.882

∴ Slower and later.

369

00:52:43.222 --> 00:52:53.651

∴ But part of the complexity here is we don't know the end state. We think the end state will be some kind of hybrid. We think there will probably be some kind of local taxation.

370

00:52:55.362 --> 00:52:57.301

∴ But we have...

371

00:52:57.762 --> 00:53:04.932

∴ as many of the tools as we can envisage built in-house, controllable by us with the ability to flex

372

00:53:05.272 --> 00:53:14.262

∴ Not in the way that kids use the word flex, but with the ability to pivot, probably more quickly than any of the large legacy orgs.

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00:53:14.382 --> 00:53:15.772

∴ And with a...

374

00:53:17.152 --> 00:53:32.551

∴ But also as a regulated OSB, admittedly in only one state, and we think that we're uniquely qualified. We feel that we should take a certain amount of comfort from that and that we're close to uniquely qualified to compete irrespective of the regulatory end state.

375

00:53:32.812 --> 00:53:40.182

∴ So, maybe it's not 30 minutes, but it should be as fast as anyone out there. And maybe it is 30 minutes.

376

00:53:41.102 --> 00:53:53.811

Haley Tam - UBS: Thank you. I really appreciate the full answer to that question. If I can be cheeky and just ask one more. You said you expect the end state to be some kind of hybrid. Can I just confirm that that was absolutely the case when the deal was originally struck?

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00:53:54.842 --> 00:53:59.022

∴ I mean, this... we have been talking for a very long time.

378

00:53:59.572 --> 00:54:04.211

∴ I think it's improbable, this is a personal view, but I think it's improbable.

379

00:54:04.762 --> 00:54:08.101

∴ That I think it's highly improbable that someone can put.

380

00:54:08.712 --> 00:54:16.592

∴ Lightning back into a bottle, you know, having spent spending a lot of time in the United States, the prediction markets,

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00:54:16.962 --> 00:54:25.761

∴ has caught a zeitgeist in maybe the way that crypto did a number of years ago. I don't see how this goes away, but equally.

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00:54:26.042 --> 00:54:37.831

∴ as ever, one should follow the money, and I think that will lead to some kind of taxation somewhere. I think that's the highly likely end state. That's a personal view, I can't read the minds of the Supreme Court judges.

383

00:54:38.012 --> 00:54:38.842

∴ Umm.

384

00:54:39.732 --> 00:54:41.862

∴ And they will ultimately determine.

385

00:54:42.962 --> 00:54:44.541

Haley Tam - UBS: That's very kind. Thank you.

386

00:54:45.912 --> 00:54:52.392

∴ Thank you. Our final question is from David McCann from Deutsche Bank. Please unmute your line and ask your question.

387

00:54:53.792 --> 00:55:05.462

David McCann - db: Hey there, yeah, thanks for taking my follow-up questions like Hayley. So, a couple more, if that's okay. Just wanted to follow up, actually, on Hayley's question around the mix, but I appreciate you've kind of given an answer to this, but I think

388

00:55:05.792 --> 00:55:20.512

David McCann - db: where perhaps some of us are a bit nervous, you know, you articulated this when you announced the deal, that the revenue margins you'd get from some of the newer products like Prediction are lower than what you get from the legacy book. So, as the business does continue to transition, which you obviously hope for.

389

00:55:20.512 --> 00:55:39.042

David McCann - db: What are the risks that, particularly, as you know, you're on the public markets, people are going to look at the quarterly numbers, rightly or wrongly, that we do see some revenue headwinds quarter on quarter, or even year on year, as that transition goes through. So how are you thinking about managing that messaging risk? That's the first question.

390

00:55:39.082 --> 00:55:54.182

David McCann - db: So on the deal more broadly, I mean, to what extent, Breon, is this a defensive deal, because concerns you might have about the long-term growth of the existing group businesses and the risk of prediction markets increasingly become ways for your existing customers to express their opinions on financial markets.

391

00:55:54.182 --> 00:56:01.051

David McCann - db: Versus, you know, some of the other reasons you've articulated well for doing this deal. So, how much of that played into your mind when you were doing the deal?

392

00:56:01.212 --> 00:56:09.962

David McCann - db: And then I guess finally, probably again, one for Breon, how are you going to keep Jeremy and his team at IG beyond 2029, given, let's say, the history of moving on?

393

00:56:11.682 --> 00:56:18.421

.: You want me to start with the mix, and then you take the final two? No, you do the final one. So, you do the final one, like, why might you stay?

394

00:56:19.302 --> 00:56:28.532

.: Tam's a lot younger than he looks, and he's got lots and lots of runway ahead of him, and actually, he's successfully built 3 startups.

395

00:56:28.762 --> 00:56:38.641

.: And I think, you know, you meet the caliber of his team, and I really mean it, that they are... I'm very proud of the caliber of the team we're building at IG, but the caliber of the people at Underdog

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00:56:38.942 --> 00:56:44.612

.: Is enormously exciting, and I think if...

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00:56:45.112 --> 00:57:01.882

.: if we can find a way, and I believe we can, if we can find a way for Jeremy to deliver on his customers' desires and his ambitions within IG, first and foremost in sports, I'd hope that there is... I don't think we're in any way opportunity constrained by the group, and I think there'll be more than enough opportunity for

398

00:57:02.032 --> 00:57:13.331

.: for Jeremy and Brandon and the rest of his team over time, but maybe he should address that at the end. To go back, the first question was margin, yeah? Yeah. So guidance... guidance...

399

00:57:16.332 --> 00:57:19.722

.: Maybe... I was a little.

400

00:57:21.372 --> 00:57:22.522

.: casual.

401

00:57:23.432 --> 00:57:35.972

.: A number of our shareholders were shareholders in Betfair or Paddy Power or Flutter, or indeed some of them are still shareholders in Flutter. We felt that there was a reasonably good read across the Fangio business from UK shareholders.

402

00:57:36.182 --> 00:57:41.141

.: And perhaps then, and there was some debate about this internally, so kudos to Martin for

403

00:57:41.372 --> 00:57:48.942

.: Trying to make me do more of this. Perhaps I could have focused more on the seasonality and just helping people build the sports model so they would understand the underdog.

404

00:57:49.082 --> 00:57:50.772

.: Revenue makes over time.

405

00:57:50.922 --> 00:58:01.402

∴ I think -- so that's a gap that perhaps I could have done a better job on back in July. I think the margin issue is interesting but not as

406

00:58:01.502 --> 00:58:11.351

∴ defining of the outcome, as people might think. The prediction markets, specifically Polymarket and Calci, are both private companies. They are talking up their notional,

407

00:58:11.522 --> 00:58:16.492

∴ Traded volume with great gusto and great effect.

408

00:58:16.622 --> 00:58:28.351

∴ And if one goes even superficially into kind of the Twitter sphere about how people are talking about this, it's hard to substantiate exactly what the economic value of some of that notion is.

409

00:58:28.482 --> 00:58:44.272

∴ Closer to public company terminology is handle, which we've used in the slide to reflect the actual dollars that customers are staking. And then ultimately we get to a revenue or net gaming revenue. I think the key metric here is NGR, is net gaming revenue.

410

00:58:44.272 --> 00:59:03.061

∴ And handle will go up over time, and indeed notional on prediction market exchanges. If people have a 100-leg parlay, a \$1 bet can have a notional into the thousands, or even tens of thousands. So we think you have to look at revenue. Now, frustratingly, right now, we're the only

411

00:59:03.062 --> 00:59:08.242

∴ Real public company... we're the only public company that's talking about revenue,

412

00:59:08.242 --> 00:59:25.261

∴ currently, I think Robinhood will... have done in the past, and will talk about revenue from prediction markets over time, but reconciling the difference between notional handle and revenue is tricky, and we will work with shareholders and sell-side to... to best understand that as time... as time passes.

413

00:59:25.282 --> 00:59:39.921

∴ And those conversations are already underway. We've got work to do, but I think shareholders will understand the complexity of modelling this and giving the right guidance on this because of where you anchor in terms of what stage of the revenue line or the notional handle revenue line.

414

00:59:40.632 --> 00:59:45.732

∴ To your second question, which is kind of the strategically interesting one, was this defensive?

415

00:59:46.422 --> 01:00:05.241

∴ you know, if you go back two and a half years at IG, we were effectively seen as a bet on a mono product, an old UK legacy product, over-the-counter CFDs, and largely were a UK play. That was very much the case before Tasty. This puts us... and

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01:00:05.362 --> 01:00:07.411

∴ You know, there was considerable...

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01:00:08.022 --> 01:00:27.952

∴ there was some concern with shareholders about the concentration associated with being as UK-centric and as CFD, or spread betting-centric. And you might remember the budget last year, the kind of relief rally after the budget, showed just... you know, I think there was a 10% rally in the share price, which showed just how concerned shareholders were about our exposure to

418

01:00:27.952 --> 01:00:30.341

∴ regulatory or political events in the UK.

419

01:00:30.452 --> 01:00:32.182

∴ And since the summer of...

420

01:00:32.482 --> 01:00:40.092

∴ 24, so just after I joined, we talked about filling out product gaps, and then by the summer of 25, we were talking about adjacencies.

421

01:00:40.182 --> 01:00:53.651

∴ We have wanted to diversify this business for the good of our shareholders. We wanted to get into a brand and product suite and a regulatory suite that resonates with a younger customer base. And I think Prediction Markets in the United States fits very well there.

422

01:00:53.652 --> 01:01:00.361

∴ I think Michael Healy will do... I'm very excited about the job Michael Healy will do on the 22nd of talking people through the... the...

423

01:01:00.482 --> 01:01:09.671

∴ the growing momentum in the core IG business and how that's also led by product and marketing and the cultural change that he's orchestrating. But I think

424

01:01:09.792 --> 01:01:29.651

∴ even in addition to the progress we're making at IG, the opportunity on a sensible deal structure, on what we think is a sensible price, to get our shareholders' exposure, to give our shareholders exposure to as fast a growing, customer base and revenue and profit stream as Prediction Markets in the United States, we think that's something

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01:01:29.682 --> 01:01:36.612

∴ That's something we're very excited about, and we think in time our shareholders will be increasingly excited about as well. Do you want to build on that, or are we good?

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01:01:37.902 --> 01:01:45.952

∴ I think it was good. One comment I'll make, I mean, we are... we had this discussion, obviously, in the process through the announcement of the transaction.

427

01:01:46.082 --> 01:01:59.122

∴ And we've engaged with the team around trading since then. I'm really satisfied, frankly, with the shareholder value orientation, the discipline around marketing that the team shows. We have the same conversations around

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01:01:59.272 --> 01:02:16.012

∴ CACs and LTVs and so on. And ultimately, we'll need to deliver revenue and we'll need to deliver EBITDA. And then that's how we've incentivized the team and we'll be pleased to pay out as and when the team deliver on those stretching targets.

429

01:02:17.392 --> 01:02:20.441

.: Yeah, David, just to build on the,

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01:02:20.442 --> 01:02:41.092

.: On the first part you asked around just the mix, I mean, we very much view it as our job to continue to offer more and more to our customers so that they can engage more. And that's something we obviously focus a lot on, as Breon mentioned, and rightfully so, the focus on handle and obviously the focus on net revenue that comes from that. We're really excited about the handle growth we're seeing as our customers are able to engage more and more.

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01:02:41.092 --> 01:02:44.051

.: Now, of course, the margin's not always gonna go up.

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01:02:44.592 --> 01:02:58.801

.: as handle growth is going through the roof, but if you ask us, hey, can we have... do we want 3X the margin... 3X the handle at half the margin? Of course we do, right? And that's a trade we'll take every day. So there's obviously a balance in what we offer and how we offer it. It's something we're really, we're really thoughtful about.

433

01:02:58.802 --> 01:03:06.252

.: But we're really keen to just keep on offering more and more we can to our customers, and I think you can track that and handle over time.

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01:03:06.422 --> 01:03:08.612

.: And then you asked,

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01:03:08.872 --> 01:03:20.522

∴ what keeps us here in the long term, and obviously the deal structure has plenty of incentive for us to really drive this business and drive growth over the next few years. But look, I think the important part always is that

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01:03:20.742 --> 01:03:31.891

∴ the team, we have... that we're having fun, and we have an uncapped opportunity to do this, and I can say that I'm having some of the most fun I've ever had, as there's so much in front of us, so much to build.

437

01:03:31.892 --> 01:03:41.752

∴ such an amazing time, and kind of the sizzle reel at the very... at the very jump of this. Hopefully captured that, but that's what it feels like at our company, and we're all having a really, really good time doing this, and...

438

01:03:41.852 --> 01:03:44.161

∴ So long as that's the case, I want to be doing this forever.

439

01:03:44.772 --> 01:03:49.381

∴ Thanks Jeremy, I think we're going to wrap up, nothing like the enthusiasm of a

440

01:03:50.142 --> 01:04:02.892

∴ founder in his 30s to make me feel like an old man. So Jeremy, thank you for that, and thank you to our shareholders on the sell side for joining us. The business gives us access to a large, fast-growing TAM. The team are executing well.

441

01:04:03.142 --> 01:04:08.422

.: And they're heading into their busiest quarter with real momentum. I'm very, very excited about what comes next.

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01:04:08.592 --> 01:04:23.771

.: For our IG business, we will do a strategy update on the 22nd of October. We'll talk about the progress we're making in the core business. We'll address some of the other questions that have come up in recent months. We appreciate your time today. We look forward to talking to you some more on the 22nd.

443

01:04:24.022 --> 01:04:24.832

.: Thank you all.