SuperGroup

FY 2021 Earnings Call Transcript

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Super Group (SGHC) Participants
Lisa A. Kampf - Vice President-Investor Relations
Neal Menashe - Chief Executive Officer & Director
Richard Hasson - President, Chief Operating Officer & Director
Alinda van Wyk - Chief Financial Officer & Director
Spencer McNally - Group Head of Data & Analytics

Other Participants
Stephen Grambling - Analyst, Goldman Sachs & Co. LLC
Jed Kelly Analyst, - Oppenheimer & Co., Inc.
Bernie McTernan - Analyst, Needham & Co. LLC
Michael Graham - Analyst, Canaccord Genuity LLC
Mike Hickey - Analyst, The Benchmark Co. LLC

Operator

Good morning, and welcome to Super Group's Full Year 2021 Earnings Conference Call. Following management's prepared remarks, we will open the call for Q&A. I would now like to turn the call over to Lisa Kampf.

Lisa Kampf – Vice President Investor Relations

Good morning, everyone. I am Lisa Kampf, and I am delighted to have recently joined Super Group as the Head of Investor Relations. I am based in New York and I look forward to engaging with many of you virtually, and in person, in the coming days.

Joining me today to discuss Super Group's results are Neal Menashe, Chief Executive Officer, Richard Hasson, President & Chief Operating Officer and Alinda Van Wyk, Chief Financial Officer. Also, with us today during the Q&A session is Spencer McNally, Group Head of Data and Analytics.

By now, everyone should have access to the Company's full year earnings press release issued earlier this morning. The press release is available on the Investor Relations page of Super Group's website at investors.sghc.com.

During this call and in our earnings press release, we will be making or have made comments of a forward-looking nature. These forward-looking statements include statements related to Super Group's anticipated financial performance and operating results, market opportunity, and business strategy and plans. These statements are neither promises nor guarantees and are based on management's current expectations and beliefs and involve risks and uncertainties that could cause actual results to differ materially from those described in these forward-looking statements. The company assumes no obligation to update these statements after today's call except as required by law.

Please refer to today's press release and the Company's filings with the SEC, including the "Risk Factors" section in the Company's report on Form 20-F filed on February 2, 2022 and in the annual report on Form 20-F for the year ended December 31, 2021 to be filed with the SEC later this month, for a detailed discussion of the risks that could cause actual results to differ materially from those expressed or implied in any forward-looking statements made today.

Additionally, on today's call, we may refer to certain non-GAAP financial measures. These non-GAAP financial measures are in addition to and not a substitute for measures of financial performance prepared in accordance with GAAP. The reconciliation of historical non-GAAP financial measures to the most comparable GAAP figures are included in the press release issued earlier today and available on the Investor Relations page of Super Group's website. As a result of uncertainty regarding, and the potential variability of, reconciling items, we have not reconciled our expectations as to Adjusted EBITDA. Accordingly, reconciliation is not available without unreasonable effort, although it is important to note that these factors could be material to our results computed in accordance with GAAP.

Also note that we have posted a supplemental presentation to the investor relations section of our company website along with the earnings release, the link to this webcast and filings with the SEC.

And now I would like to turn the call over to Neal.

Neal Menashe - Chief Executive Officer

Thanks Lisa. It is great to have you on board

Good morning, everyone and thank you for joining us today on our first earnings call as a public company. I'm Neal Menashe, I've been with the business in various leadership positions for over 2 decades and I've been the Chief Executive Officer of Super Group since it was incorporated as our group holding company in 2020.

As you know, Super Group stock began trading under the ticker SGHC on the New York Stock Exchange in January 2022. We are excited and humbled to have this amazing opportunity and look forward to this new chapter. I would like to thank our existing investors and our new shareholders as we embark on this very exciting journey.

Most importantly, I want to thank our team at Super Group for their relentless dedication and commitment through such a challenging environment over the last two years, and also for their fantastic efforts that contributed to Super Group becoming a publicly traded company. Our team truly understands the core mission of delivering first class, safe and responsible gaming entertainment to our customers. We are excited to communicate with you on a quarterly basis as we continue to discuss our current business initiatives and developments towards our long-term goals.

In our press release issued earlier today, Super Group announced tremendous results across all of our key financial metrics, exceeding our outlook on both Net Gaming Revenue and Adjusted EBITDA. Net Gaming Revenue, or NGR, at a constant currency, was $1.53 billion for 2021, exceeding our forecast of $1.5 billion. Adjusted EBITDA at constant currency was $368 million, better than our forecast of $350 million. Using actual exchange rates during 2021 this translates to $1.48 billion of NGR and $358 million of Adjusted EBTIDA.

Given that this is our first earnings call as a public company, I will spend a few minutes providing some background on who we are, our mission and what we believe makes us different. I will then hand over to Richard, our President and COO, to explain the progress we have made as we continue to grow in existing markets, enter new markets and how we plan to continue gaining traction in the large and growing worldwide market of online gaming and sports betting. After that, Alinda, our CFO, will discuss our financial performance over the past year.

Super Group is the parent company for two leading global online sports betting and gaming businesses. Firstly Betway, which is our premier global online sport betting brand, and then Spin, which is a multi-brand online casino offering.

Our sports betting and online gaming offerings are underpinned by scalable technologies, enabling fast and effective entry into new markets, while our proprietary marketing and data analytics engines empower us to provide a unique, customized, safe, and responsible customer gaming experience.

We believe that we have a number of advantages and differentiators over our competitors, and I'm briefly going to highlight some of the more significant ones.

Firstly, Betway is the only sportsbook brand that we promote, and we do so in a consistent manner worldwide. We have marketing and sponsorship arrangements with more than 70 sports teams, events, leagues, and franchises worldwide, and our single brand means that we are able to optimize marketing ROI rather than spread it out less efficiently over multiple brands. Campaigns targeted at only one country generate revenue for us worldwide, and the cost of even a single-country campaign can be amortized across the entire globe. This compares with some competitors who only trade in a few markets and who therefore can't amortize their spend or generate worldwide revenue like we can, or others who have multiple brands which may dilute the effectiveness of their spend in the big traditional media channels where sports betting is advertised.

Secondly, while there are many markets in which large-scale traditional brand marketing is possible for sports, that's rarely the case for online casino, where instead of a wider range of brands is required for strategies with a greater weight towards online marketing. Spin's well-established and diverse portfolio of online casino brands gives us extra shelf space over single-brand competitors and the ability to suitably service different sectors of this market.

Thirdly, we own or control under long-term contracts all of the key components of our tech stack, with the exception of temporary third-party tech for regulatory purposes in select new markets. Even then, we aim to convert this to one of our existing technology options at the earliest possible time, with the ultimate goal of owning or controlling all key aspects of the front-end and back-end for all of our casino and sports products. Critically, we do always own or control all of the competitive advantage technology related to data and analytics and all of the key components required for interacting with customers in real-time. Amongst many other things, this means that we're able to launch into more markets more quickly, adapt more quickly to the changing needs of existing markets, and in particular that we can more quickly and effectively adapt our products to the complexities of a world in which regulations and customer needs are changing all the time.

Our fourth major competitive advantage relates to data and analytics, and in particular how we use proprietary models and systems plus massive amounts of granular data to understand our customers in real-time, to enhance our interactions with them in real-time, in order to customize and optimize their individual experiences of our products safely, responsibly, and profitably, again in real-time. I want to emphasize that these are well-calibrated, proven commercial models, not black box or outsourced AI algorithms that nobody understands and which could randomly go haywire at any time. Our models are all proprietary, we've shown that they can predict individual customer profitability with remarkable accuracy, and together with our proprietary interaction systems we're therefore able to offer our products to customers both profitably and responsibly, all in real-time.

That's a quick summary of what makes us different, I hope that you found it useful.

I will now pass it over to Richard to provide more detail on the global market opportunity for Super Group as well as current business initiatives and developments.

Richard?

Richard Hasson - President and Chief Operating Officer

Thank you, Neal. It is great to be here on our first earnings call as a public company, and I first want to thank all our partners, shareholders, employees, and investors for joining us on this journey.

2021 was a great year for Super Group during which we continued to execute on our global strategy in both existing and new markets.

In 2021, Betway and Spin launched with licenses in nine new markets around the world. Betway launched in France, Tanzania and Germany; Spin in Mexico; and the Betway brand was launched by our soon-to-be-acquired partner DGC in Colorado, Indiana, Iowa, Pennsylvania and New Jersey.

As we've previously discussed in some detail, those USA markets are not yet using the Betway global technology, and we're of course aiming to change that in the not-too-distant future. But we're happy to say that in 2022 DGC has recently gone live in Arizona on the Betway Global technology platform, and that launch is also notable as DGC's first tribal gaming deal.

We're fortunate at Super Group to be operating in a large and growing market, and we still see a lot of headroom. Globally the OSB and gaming market is expected to exceed $120bn by 2025. Our gross gaming revenue or GGR for 2021 was approximately $1.8bn, which means that we have lots of opportunity to grow, both in the US and elsewhere.

Besides the market launches already mentioned, we're obviously also looking at other commercial opportunities for growth. We've already given a lot of detail about the planned DGC acquisition, and that's still on track for closing in the latter part of H2.

Canada is currently our biggest market, and obviously the regulatory environment there is key. Currently only Ontario is in the process of regulating, and we're busy doing what we need to do in order to comply with the requirements for that market - the relevant applications have been lodged with the Ontario regulator within the required timeframes and we are going through the process. In the meanwhile, we continue operating in Ontario with the knowledge of the regulator. Ultimately, we're bullish on the effects of the regulation in the Ontario market, because we expect that the pie will grow in the medium to long term and we're coming at it with a significant head start over most of the competition. We also expect this regulation to open up additional marketing opportunities in Ontario, and bring with it some cost efficiencies to offset the gaming duties, so net-net we think that this market still has some solid potential upside for us in terms of both revenues and profits.

On the marketing front, our team had a busy 2021, bringing in more than 30 new brand partnerships for Betway. As of today, the total portfolio now stands at in excess of 70 active partnerships in 17 different countries, spread across all the major international sports, including soccer, basketball, tennis, e-sports and golf. Our reach is far and wide:

- We've got 7 different e-sports deals
- We've got 11 tennis deals in 8 different countries
- In the English Premier League our Betway brand is visible in every stadium at least once a season, in many stadiums for almost every game, and overall in around two-thirds of all games
- In the NBA we've got deals with the Bulls, the Warriors, the Mavs, the Cavs, the Clippers, the 76ers, the Heat, the Bucks, and the Timberwolves

Plus there's also ice hockey, horse racing, cricket, rugby and motorsports.

That's a long list of partnerships and sponsorships that are continuously reinforcing the Betway brand around the world, helping to support all of our other marketing activity and thereby the growth of the business. And of course we actively monitor other major sports properties around the world for what we see as attractive and potentially profitable entry points.

In terms of customer numbers we had a very good year. On the back of continued strong customer acquisition and equally good retention, H2 finished with an average monthly active customer count in excess of 2.7 million. That average is 45% up on the prior year same period, and 150% higher than the same period in 2019. For the full year those percentages were 74% as compared to 2020 and 160% better than 2019.

We're obviously very proud of such strong customer growth, but we're mindful of the possibility that at least some of that growth will have come from the secular shift to online that was brought about by the Covid pandemic. We're certainly aiming for continued strong growth in customer numbers in 2022 and beyond, but equally we want to keep expectations realistic in this regard, so our guidance for 2022 (which Alinda will discuss shortly) assumes growth in our customer base at a lower rate than 2021.

In terms of customer value, without going into too much detail, we're satisfied that 2021 developed as expected. In our mature continuing markets, customer values remained broadly consistent with prior years, with the exception of the UK, where, as expected, regulatory and other changes to the structure of the market resulted in continued reductions in average deposits and NGR per customer.

In some of our faster-growing markets we were pleased to see customer values holding up nicely despite the continued growth, with moderate improvements in some cases. In other cases, we saw moderate reductions in monthly values, which is usually what you would expect from markets that have been growing fast and are not yet mature.

Overall, average customer values were down against 2020, continuing a trend that has been in evidence for a couple of years at least. Again, this is to be expected as a result of our market mix shifting over time due to faster growth in developing markets where average customer values are naturally lower than in mature markets.

So, in sum, 2021 delivered largely as expected, and overall we saw a pleasing trend towards a more diversified mass market business that continues to line up nicely with our aim of providing first class, safe, secure and responsible gaming to all of our customers around the world.

With that, I will turn it over to Alinda to review our financials. Alinda?

Alinda van Wyk - Chief Financial Office

Thank you, Richard.

I am especially delighted to present you with Super Group's financial results on our first earnings call because 2021 was a good year for us, continuing our strong growth in previous years with excellent year over year increases in all of the headline key metrics including NGR, Revenues and Adjusted EBITDA. Despite industry headwinds in certain quarters and some market regulatory challenges, we were able to achieve our key financial goals.

Before I get into the detail, I want to highlight that we're reporting in Euros and not US Dollars. We've made the decision to do so because currently we do not have any meaningful part of our business trading in Dollars, at least not until we acquire DGC sometime in the latter half of this year, so reporting in US Dollars really just introduces unnecessary currency fluctuations into our results and in particular makes prior year comparisons much more difficult.

The numbers we are presenting are pro-forma consolidated numbers, as a sum total of all the groups irrespective of the timing of the company's reorganization which occurred during both 2020 and 2021.

The numbers presented are adjusted EBITDA, which is the EBITDA numbers adjusted for transaction expenses relating to the listing, impairment of goodwill and deduction of some non-recurring expenses.

I will now turn to our financial results.

NGR for the full year increased 29% year on year to €1.26 billion which reflects good growth in markets "business as usual" and where we are therefore able to appropriately offer and market our products in 2021 as we did in 2020 and before.

For markets where that was not the case, including some which closed during the year (such as the Netherlands) or, as in Germany, where regulations tightened significantly we estimate that NGR was negatively impacted by around €40-45 million compared with how those same markets had performed in 2020. I am particularly pleased that we were able to offset those negative impacts and still deliver strong NGR growth for the year.

Adjusted EBITDA for the full year grew by 41% to €302 million for 2021. This was helped in part by some operating leverage and economies of scale in General & Administrative Costs, which are generally fixed and which increased only 16% compared to 2020, which I think is a very good result given that Net Gaming Revenue grew as mentioned by 29%. As expected, Direct Expenses (which are largely variable) and Marketing Costs (which are a mix of fixed and variable) grew broadly in line with Net Gaming Revenue.

Cash generated from operating activities increased from €156m in 2020 to €229m in 2021. That's a growth rate of 47% and reflects the continued high rate of profitability.

Free cashflow grew in line with that from €183 million in 2020 to €249 million in 2021. Free cashflow as a percentage of Adjusted EBITDA was therefore 82% in 2021, a small reduction from 84% in 2020, due to increased tax and capital expenditure.

Following from that, cash and cash equivalents more than doubled from €139m at the start of the year to €294m at the end of the year, again reflecting the strong cash generation abilities of the business and thanks to a debt-free balance sheet.

As for the fourth quarter on a standalone basis, Net Gaming Revenue for the quarter came in 15% higher at €320 million in comparison to the same period last year despite a very challenging October in sports for the entire industry and helped by some sports margin recovery in November.

Fourth quarter Adjusted EBITDA was €69 million, down 2% from the previous year driven by an increase in brand marketing expenditure, which was predominantly USA focused.

Regarding our guidance for 2022, we see no reason yet to change what has previously been provided. Of course it's still early in the year, and our outlook could change, but for now we're comfortable confirming our prior guidance which is detailed in the presentation posted to our website.

If you don't recognize these numbers it's because we previously provided our forecast in US Dollars, and those figures are the Euro equivalent values using the exchange rate at the time that we originally announced the guidance. In line with what I mentioned earlier, we're now stating our guidance in Euros to align the reporting of our financials going forward.

Finally, I'm very proud of how we have managed to get through our first year-end earnings, both in terms of the results and the process. The requirements of public markets are obviously new to many members of our team, so I want to thank them for their hard work and congratulate them on getting everything done to such a high standard.

Thank you very much, I will now hand back to Neal for his closing remarks.

Neal Menashe - Chief Executive Officer

Thank you, Alinda.

Super Group has had an extraordinary year. Everybody listening to this call knows how much time, bandwidth and resources the process of becoming a public company can be. The listing process onto the New York Stock Exchange took up all of 2021 for most of our senior executives and many members of our operational management.

And despite that extraordinary focus, our team delivered record levels of new and returning customers, record revenues, and record profits, with strong growth in all of those metrics.

With the listing and 2021 behind us, we're looking forward to this year and beyond as we continue to enter new markets and grow existing ones with our Betway and Spin brands.

We're confident that we can drive this business onwards into the online gaming behemoth that we know it will become, and we hope that all of you are as excited for the future as we are.

With that, we will open the call to questions.

Operator?

Operator: Thank you. At this time, we'll be conducting a question-and-answer session.

Stephen Grambling - Goldman Sachs

Hey, thanks for taking the question. Maybe the first one just on the regulatory changes in Canada, it seems like folks have started to launch there, curious how that progression has compared to your own expectations and how you're thinking about that market?

Richard Hasson - President and Chief Operating Officer

Hey, Stephen. Richard here. So, yeah, we're currently going through the process as we mentioned, active conversations with the Ontario regulator. Very comfortable with where we are in the process, very comfortable with the timing, and confident in completing that application process with the regulator. And for now, as we mentioned, we continue operating in Ontario with the knowledge of the regulator.

Stephen Grambling - Goldman Sachs

And I guess from a competitive standpoint, has it been surprising, have you have seen any kind of changes in advertising, promotions, et cetera as some of the peers have started to ramp up there?

Richard Hasson - President and Chief Operating Officer

Yeah. I think it's still relatively early days, you know, obviously only earlier this month, there are obviously new operators in the market, but I think it's too early to make a call on that.

Stephen Grambling - Goldman Sachs

And then, maybe a question on guidance, recognizing that you reiterated the guidance for the year. Curious, I mean, it's been a while or I feel I should say there's been a number of external events that have happened over the past couple of months. So, I'm wondering if you could just walk through any kind of big puts and takes as you see it that are maybe offsetting each other as we think about the guidance? And then, any color you can provide on kind of the cadence of the year so that we can make sure that we're not, you know, off-sides in any given period? Thanks.

Alinda van Wyk - Chief Financial Office

Hi, Alinda here. Yeah. As previously stated and noted in the call, we still feel very comfortable that our guidance as outset in the previous presentations, is still relevant and within our reach. We have, however, just adjusted it for the time being back to euros as the US dollar conversion obviously creates expectations that we can't control due to the fluctuations. We therefore just looking through the year, we have adjusted our reforecast according to regulatory happenings in, for example, Netherlands and Germany to adjust for that and expectations for Ontario but we are still comfortable that we are on track for what previously provided

Stephen Grambling - Goldman Sachs

Great. Thanks so much.

Jed Kelly - Oppenheimer

Hey, great. Thanks for taking my questions. Just going back to Canada, can you discuss your Canadian iGaming customer? Like, do they have a lot of overlap with the sports betters or do you think the amount that the new sports betting company is coming in are not real – I guess your iGaming customers, are they mostly just iGaming or do they bet sports as well. Just trying to get a sense of your iGaming customer profile.

Neal Menashe - Chief Executive Officer

Okay. I'll take that. It's Neal here. So, generally, we've seen across the world and we always seen and I talk about this a lot is that the specific iGaming customer casino compared to the sports is very different. A person who plays at Betway sportsbook who then goes and plays in the casino that Betway offers is a fundamentally different customer who plays on our Spin brand. They are not the same. And that's why we have both of them in our arsenal. So, when you then basically look at our business, you've got Betway and Spin and together they make about 50%, 50/50, the revenue of Betway slightly more, but overall the casino revenue comes in at about 70%, but different customers in Betway as they are in Spin. And that's why we’ve got the dual offering wherever we can across the globe. And it's very important they're not the same customers at all.

Jed Kelly - Oppenheimer

Got it. And would you say your Canada iGaming customer, I guess your Canadian customers, is that spread out relative to the population of each provinces like Ontario, certain percentage versus our British Columbia?

Neal Menashe - Chief Executive Officer

It doesn't actually, funnily enough, doesn't go according to the population. So, it's an even – it's less than the population. So, that's why with Canada regulating by province, we go province by province. So this is obviously the first province of Ontario to have regulated.

Jed Kelly - Oppenheimer

Got it. And then just I guess back on guidance. I guess, you have report – you had your 1Q numbers. Could you give us a sense on how we should expect quarterly revenue and the trend should it be a similar seasonality to last year?

Neal Menashe - Chief Executive Officer

Yeah. I mean generally – I mean I'll start and Alinda can then add, but generally it does have seasonality but remember casino is a very different to sport. Sports you can have a bad hold in one month because of the sports event and different countries will have different holds. So for us it's yes, it's quarter-by-quarter, but it's more to look at the half year revenues, et cetera, as you see it, because for example, last year in October was a terrible month. But in November and December, then obviously started to claw back, it just so happened that was all in the same quarter. Whereas if you had exceptional bad hold in the end of one quarter it can then roll into the next quarter. And then you have COVID two years ago where you had sports restrictions etc. then obviously we have ramped out of that so all sports events are open as usual.

Jed Kelly - Oppenheimer

Okay. Just one last one for me. When you look at the World Cup this year how much is that a benefit to your 22 outlook.

Neal Menashe - Chief Executive Officer

The World Cup is towards the latter end of the year. And so from our point of view, yes it's in there. But remember, it still slows so we've got some of it in there, but then we've got lots of other competitions happening all the time. So this business is about all sports events, whether it's the EPL, the NBA, the IPL, so eSports, et cetera. So sports we try offer the range across the globe and that’s why it’s about the one brand of Betway. So we open for every sport across the globe with our customers in all the 25 different jurisdictions that we operate in and growing, and that's key. Where obviously with casino it's more about the random number generator getting customers into the casino which is obviously open to 24 hours a day, 7 days a week.

Jed Kelly - Oppenheimer

Thank you

Bernie McTernan Analyst - Needham

Great. Thanks for taking the questions. Just sticking on Canada, I was just wondering if there is anything, I know there's lots of talk about competition, but what are you guys doing from a customer retention standpoint to make sure that you can retain your own customers in light of this new competition? Are there any changes in strategy that you're doing now relative to six or 12 months ago?

Spencer McNally - Group Head of Data & Analytics

Hi. It's Spencer, Bernie. Look, I think from a general point of view, our belief in our methodology is strong. We take a customer-by-customer view on every single individual using a very, very broad range of metrics across a significant range of time frames. We're evaluating that data in close to real time. We're responding to that in close to real time. And we are offering the customer in a responsible way what we think is the appropriate products and at the appropriate values and so on and so forth for them. And we don't think that anything changes just because we now may see more competitors or we may see slightly differing regulation. A lot of the things that are in the regulations are things that we were doing already and again, that only applies to Ontario where anything is changing. So, I don't know that we see the need to change the game plan. It works around the world in regulated jurisdictions everywhere. Ontario is joining that list doesn't change very much from our point of view.

Bernie McTernan Analyst - Needham

And so I guess the point being that the new competition isn't throwing off your actuarial tables or whatever it may be in terms of you know what the impact is on your customers.

Spencer McNally, Group Head of Data & Analytics

Look, I'm tempted to tell a joke about insurance companies and actuaries. They say an actuary is the guy who looks out the back window and says which way to go. The truth is that it's a little early to tell whether anything is going to change. And you know – my favorite saying is that the only thing that you know about forecasts, is that they're going to be wrong. It's just a question of how wrong they are going to be. But we're comfortable that we're not seeing anything at this stage that is particularly scary. You know we really are not seeing anything at all scary let alone particularly. So, no, I guess we don't see the game changes. We've got a strategy that's worked for many years and all the signs are that it will continue to work and we are going to continue to refine it and improve it as we go.

Neal Menashe - Chief Executive Officer

And then, I mean – this is Neal, again, I'll just add in, you know, you have seen in the New York with this huge bonus money and then the tax on bonus money. We've always been very careful with our bonus strategy and we will continue to do that. And it's not, you know, you can bring them in the front door, but if the strategy is all wrong, you can't keep changing the odds of the game by giving free bonuses that cost you more than actually the life time value of the customers. So, we've had this our whole two decades, and this is no different. We've learned over the last two decades from regulation from one market to another, so Ontario is no different, and remember it’s only one province in Canada.

Bernie McTernan - Needham

Understood. And then when you finally do gain regulatory approval in Canada, will there be any blackout period from when you get approval to when you launch where you have to kind of cease operations as of, you know, whether it could be a couple of days or whatever it may be, where you wouldn't be able to operate anymore.

Neal Menashe - Chief Executive Officer

No, no, no. Business as usual and you roll in from the dot-com into the regulated world, which has happened in other countries recently.

Bernie McTernan - Needham

Understood. Okay. And then maybe just lastly, as a follow up to Stephen's question. Just any impact on Russia, Ukraine that's implied in the guide or any way to think about the potential impact?

Neal Menashe - Chief Executive Officer

Okay. So first, I'll take that. Firstly for Ukraine our thoughts go out to everyone there. We've got no exposure there. We've had no developers there in Ukraine, no business in Ukraine. And funny enough, when it comes to Russia, Super Group has basically no business in Russia. So we've had no impact from that. But obviously, it's a terrible situation that's going on there and is still going on.

Bernie McTernan - Needham

Agreed. Great. Well, thanks for taking all the questions. I appreciate it.

Michael Graham - Canaccord

Thank you and thanks for all the new information. Congrats on getting all those numbers out. I just had two questions. The first one is maybe talk about the long term growth, relative growth that you expect to see across the business between online casino and sports betting. Just wondering sort of where you see those growth rates evolving too. And then I also wanted to just ask about how you're feeling about the balance sheet. It looks like you ended up with just under €300 million of cash on the balance sheet. So just wondering how you're thinking about liquidity and sort of the balance sheet going forward. Thanks.

Alinda van Wyk - Chief Financial Officer

Thank you, Michael. Alinda here. So, the cash on the balance sheet is well noted, it's more than doubled. There is obviously now being looked at certain opportunities for investment purposes going forward. And that's under discussion with management. But furthermore, we are also looking at a potential dividend policy, but that is very early days. But we remain as a strong cash flow generated business.

On your question on long-term guidance, there's so much going on in the world at the moment. As a business, we have decided that we work – we're going to internally look really at the numbers halfway through the year. And as you've noted, while that took a lot of us to get the first 2021 year-end results out in such a short time, which is new to us for a listed entity. With the guidance we'll rework it through the course of the half year mark, and then maybe put out something during the fall or the later part of the year on what 2023 will look like. I don't think we project three, four years. We look at some trends, but it's impossible to make that as accurate due to what's happening in the world.

Michael Graham - Canaccord

Okay. That's very helpful. Thank you.

Mike Hickey Analyst - Benchmark

Hey, Neal, Richard and Alinda, Lisa. Good morning, guys. Congratulations on your success. Just a couple of questions from me. On Canada, hot topic here, just curious if you could break out your revenue and profit contribution from Canada. And then, specifically now that at least Ontario is moving to a regulated market, what is assumed impact net on your guidance from that region now thinking about taxes and marketing expense and everything that's going to sort of change now that you're regulated and not operating in the grey market? I have a follow up. Thanks.

Richard Hasson - President and Chief Operating Officer

Mike, excuse me. Hi, Mike. Richard here, I'll start with the first and hand over to Alinda for the second. In terms of the country breakdown, we don't provide that specific level of detail. But I will refer you to the presentation where you'll see some familiar charts from previous, where we split out the 2021 revenue by geography. And you will know that the majority of that number made up of the Americas is Canada, of course, also in there is Central and South America. And that, also as the context, that figure of the Americas excludes Digital Gaming Corporation, because that's not yet part of the Super Group

Alinda van Wyk - Chief Financial Officer

Your question around the impact on EBITDA especially around Ontario. Two things is happening with our business. I mean, we've got – we have made notes on operating leverage as the more we grow, we understand our business, we are getting efficiencies, especially in our variable costs. And that rolls over into Ontario as well. But remember, even though you might have a tax paid, you have much more efficiencies in, for example, your cost of processing funds in the country and actually on average your marketing becomes competitive and less expensive. So, there is some good returns as well for becoming fully regulated in a jurisdiction because it does bring some other efficiencies and reduction in costs.

Neal Menashe - Chief Executive Officer

And then I'll just add in here, this is Neal, is that remember, this is only one province in Canada. It's not the whole country regulating as one, which is quite different to, let's say, Germany and some other markets. So, for us there's lots of opportunity with them in Canada, and again, we've got Betway and Spin and we've got a lot of opportunity across the globe. So it's the same way we would look at the provinces, each province in Canada as a new market, new existing market. You would look at DGC each state as a market. And that's how we look at it across the globe. And it's about being localized in each of these markets and having the product localized and being the most efficient it can be in each of these countries across the globe. And that's been our business model, and that's why we've got 4,000 people and we've got teams who run continents, and then run the country and in this case, DGC's case, the states and then in Canada, obviously, the province of Ontario and in the rest of the dot-com. But this has been our business for the last two decades, is following this, as markets have become regulated.

Spencer McNally, Group Head of Data & Analytics

Let me add another point of view. In the very short term, it's really hard to call exactly what's going to happen. Our experience in the past is that these markets grow in size once they become regulated. And between the operational and cost efficiencies that Alinda referred to and that your overall bottom line benefits. That's taking sort of a medium term onward view. In the very, very short term it remains to be seen, it's very, very early what's happening. We've been quietly confident. But it's too early to tell exactly what's going to happen in the very short term.

Mike Hickey - Benchmark

Okay. Thanks. Just to confirm that the Canadian piece of your 2022 guide, that's business as usual. I mean just confirm that. And do we run the risk here that you – when we change that to adapt, so now it's regulated, so it's not the same scenario that when you originally gave guidance, there is a risk that you have the lower numbers in the near-term given taxes and marketing and everything else that's part of being a regulated market.

Alinda van Wyk - Chief Financial Officer

Just to reiterate, we did look after the regulation became imminent, we did readjust the guidance and we still feel comfortable with the adjustment. As of effective April 2022, we would reach the target as set out previously.

Neal Menashe - Chief Executive Officer

So we took into account all the taxes et cetera coming into.

Spencer McNally, Group Head of Data & Analytics

The only unknown is exactly how the regulations are going to be interpreted by the regulator. But I think that's going to take a while to play out. And on the face of what we're seeing there, there is nothing particularly unusual. There is not – we have seen other markets regulate with deposit limits explicitly specified by the regulator, or very onerous marketing conditions. None of that's happening in Ontario. So on the basis of what the regulations are reading like, we're not seeing a huge change in operating conditions.

Mike Hickey - The Benchmark

Okay. Great. Thanks, guys. Second question for me, on the U.S., can you just sort of talk through the playbook there once you finish your acquisition, sort of how you're thinking about the financial impact and sort of updated thoughts on user acquisition, and how you think about bringing in players and sort of overcoming not having a database like some of your peers do? Thanks, guys.

Richard Hasson - President and Chief Operating Officer

Hey, Mike. So as Neal said earlier, when we look at any new market, be it the new US states or a new country, we look at it on the individual market basis. And we'll apply the same toolkit as we have to all of the markets around the world to each of these US states. Where we stand today, DGC is live in six states, with market access in up to 12. And once DGC becomes part of Super Group, those will be treated as every other market within the Super Group is treated. So it will be the power of the Betway brand, the underlying use of data and analytics to understand the customers. And of course, having the localized teams in each and every state in this case that are obsessing about the local detail and understanding the customers on an individual basis in each of these markets. So it's taking what we've learned in the last 20 plus years. It's taking what we've applied to all other markets around the world, and in this case, applying it to each of those states, as we do to other countries around the world.

Mike Hickey - Benchmark

Thank you

Stephen Grambling - Goldman Sachs

Hey, thanks for sneaking me back in. One other one just the guidance and assumptions there, on the branding fee that you get from I guess it's a combination of Thailand, China and the US. How do we think about the visibility on that and what will drive that year-over-year and how that's trending? Thank you.

Richard Hasson - President and Chief Operating Officer

Hey, again, Stephen. So, on the brand fee that is a fee that we earn for other businesses making use of our brand. Obviously, the strength of our brand globally is obvious and the brand fee itself, the way to think about it is it’s not looked at in isolation. So it forms part of our thinking around the total amount spent and invested into the brand across the world. So when we look at what's today the portfolio of over 70 partnerships for the Betway brand, we will consider in those conversations and in those investment decisions, we will consider what we expect to earn as a brand fee from those partners. So any adjustments in that brand fee or potential adjustments will be considered in the branding decisions and ultimately brand when we look at the brand relative to our revenue, you know, the brand will be a part of the marketing investment obviously, alongside the other forms of marketing. And in summary, that brand fee is looked at in conjunction with all other marketing decisions. It is not looked at in isolation.

Neal Menashe - Chief Executive Officer

I'll just add in. It's important to note that because we have one sports brand we can have marketing at a brand level that affects global marketing, but that we don't take all the money of marketing and just spend it on brand, brand is one portion of Betway's budget. And that's very important. So, the brand fee comes into that but because we've got the global reach we've got enough volume in all our marketing to be able to have an effect. But it's not just, this business, it's not just built on brand. It's built on brand at one part and then you've got all the other marketing but localized marketing that goes on and that's very important.

Stephen Grambling Analyst, Goldman Sachs

But just to clarify, so that's not on percentage of GGR generated by those operating partners. But that's kind of like a year-to-year adjustment that's made. That's kind of spend that you have.

Alinda van Wyk - Chief Financial Officer

Yeah.

Richard Hasson - President and Chief Operating Officer

Yes, so it’s not a rev share, no.

Stephen Grambling - Goldman Sachs

And so you generally think of that as being breakeven then or that's an EBITDA contributing segment.

Neal Menashe - Chief Executive Officer

Yeah. So we did take some income from that will help us – help go towards the brand spend we have across the globe. Just in accounting terms, you have to kind of separate the two when you disclose it.

Stephen Grambling - Goldman Sachs

Got it. Okay. Thank you

Operator

Thank you. Ladies and gentlemen, this concludes our question-and-answer session and thus concludes our call today. We thank you for your interest and participation. You may now disconnect your lines