SuperGroup

4Q 2024 Earnings Call Transcript

Super Group Participants
Neal Menashe, Chief Executive Officer
Richard Hasson, President & Chief Operating Officer
Alinda van Wyk, Chief Financial Officer

Other Participants
Brett Milotte, ICR
Jed Kelly, Oppenheimer & Co.
Michael Graham, Canaccord Genuity
Mike Hickey, The Benchmark Co.
Bernie McTernan, Needham & Co.

Brett Milotte

Good morning, everyone, and thank you for joining us today to discuss Super Group's results for the fourth quarter and full-year 2024.

During this call, Super Group may make comments in a forward-looking nature that are subject to risks, uncertainties and other factors discussed further in its SEC filings that could cause its actual results to differ materially from historical results from the company's forecast. Super Group assumes no responsibility to update forward-looking statements other than required by law.

On today's call, Super Group may refer to certain non-GAAP financial measures. These non-GAAP financial measures are in addition to and not a substitute for measures for financial performance prepared in accordance with GAAP. Super Group has provided a reconciliation of these non-GAAP financial measures to the most comparable GAAP measures in the press release issued earlier today and available on the Investor Relations page of Super Group's website.

In addition, Super Group will speak to its financial results and metrics in two parts, highlighting Super Group's profitable and cash generative global business separately from its investments into the US. This aligns with the annual guidance that Super Group has provided for 2024 and 2025 that is consistent with how Super Group views its business internally and how Super Group will report going forward. Super Group recommends that investors refer to its supplementary presentation posted to the website.

On this call I'm joined by Neal Menashe, Chief Executive Officer. And during the Q&A session we'll also be joined by Alinda van Wyk, Chief Financial Officer; and Richard Hasson, President and Chief Commercial Officer. And now I'd like to turn the call over to Neal.

Neal Menashe

Thank you, Brett. Good morning, everyone and welcome to Super Group's Fourth Quarter and Full-Year 2024 Earnings Call.

2024 was an outstanding year for Super Group and we are very proud of everything that we have achieved. A year ago, we set out to refine our global footprint, increase our focus on key growth markets, fine-tune our products and technology and realize OpEx and marketing efficiencies. I'm proud to say that we have achieved all of this while delivering meaningful shareholder returns.

Turning to our numbers, we consistently beat our ex-US guidance targets for both total revenue and adjusted EBITDA for 2024. Total revenue ex the US was an all-time high for a full year, growing 18% year-over-year to €1.66 billion. Adjusted EBITDA ex the US was also a full year record, growing 53% year-over-year to €391 million, a margin of 24%, well above the 18% that our initial 2024 guidance reflected.

For the fourth quarter, total revenue ex the US was another all-time high, growing 58% year-over-year to €487 million. Adjusted EBITDA ex the US also set a quarterly record growing 152% year-over-year to €129 million. A phenomenal margin of 26%. We set new customer records during the quarter, including a new daily record of just under 2.2 million customers across all our products and a new high for an average unique monthly active customers of 5.3 million.

And to top it all, we closed out the quarter with our best month ever. December set new highs for monthly deposits and total revenue. The inherent operating leverage in our business is having a direct impact on our financial results. As our existing markets reach scale, incremental revenue becomes more profitable. Continued investment in revenue growth, coupled with a laser focus on a leaner, more efficient cost base are driving this margin expansion. We expect this trend to continue and we're increasing our ex-US long-term margin target to greater than 24%.

In the US while the business is still relatively small and developing, we continue to see green shoots since transitioning to an iGaming-only strategy, including new highs in Q4. The quarter started with a record revenue in October, which was then surpassed in both November and December. As a result, Q4

was our best-ever US revenue quarter growing by 64% year-over-year to €14 million. The total investment for the quarter was €11 million, taking our full year spend to €61 million. With our focus now solely on iGaming and the business developing in-line with target KPIs, we expect this investment to reduce materially over the coming year and we remain focused on finding a path to profitability.

Moving on to the balance sheet. We finished the quarter with unrestricted cash of €356 million and no debt. In December, we announced a special cash dividend of $0.15 per share, taking our total dividend for the year to $0.25 per share, well above our minimum annual target of $0.10 per share. This resulted in over $125 million being paid to our shareholders. Looking ahead, we are pleased to announce that we secured board approval to increase our minimum quarterly dividend target to $0.04 per share, up from $0.025. The first payment will be made in March and the board will save on a quarterly basis moving forward.

Turning to guidance. We are off to a brilliant start in 2025 and are confident that we will achieve another year of robust growth. For the ex-US business, we expect 2025 total revenue to grow above 10% year-over-year to at least €1.830 billion and adjusted EBITDA to grow to greater than €435 million, a margin of 24%. In the US, this will be our first full-year running an iGaming-only footprint. And on that basis, we expect total revenue of around €85 million and our total investment to reduce considerably from 2024 to between €30 million and €35 million. When combining the ex-US and US numbers, this amounts to total revenue of over €1.9 billion and adjusted EBITDA of at least €400 million, a combined margin of 21%, higher than our 2024 margin of 19.5% calculated on the same basis.

The progress and changes that we have made to our business over the past twelve months have created a solid foundation for continued sustainable growth, supported by a substantial and ongoing investment into marketing. Super Group is well-positioned as a major profitable player in the world of online gaming and sports betting and the outlook for our fourth year as a NYSE-listed company is bright. We are excited about the year ahead and look forward to updating you along the way.

I'll now turn the call over to the operator to open the call up for questions. Operator?

Operator

We will now begin the question-and-answer session. Our first question comes from Mike Hickey with The Benchmark Company. Please go ahead.

Mike Hickey

Hey, Neal, Richard and Alinda, great quarter, guys and fantastic year. Congratulations. Just two questions from us, Neal. Great to see a strong guidance for 2025. In 2024, it looked like your marketing spend is around 23% of revenue. Do we assume sort of a similar level of spend here has been factored into your 2025 guidance, Neal? And I have a follow-up.

Neal Menashe

Yeah. That's right. The 23%, that's what we have forecasted for moving forward. Obviously, it's a bigger number because the 23% is off of a higher revenue number, but we are seeing good returns, and we continue to track our marketing efficiencies that way. And that's how you get continued growth.

Mike Hickey

Thanks. Also nice to see that the big increase here in your quarterly dividend. I guess that speaks to confidence in your business. I'd love to hear that, your decision there, and also, should we expect another special dividend do you think in 2025, Neal?

Neal Menashe

Yes. So obviously, we go back and forth on the dividends. We obviously are super happy that we have increased it to $0.04 a quarter. And of course, we always want to return money back to our shareholders. So, we returned $0.25 last year, our aim would be to try and exceed that. But if the acquisitions or stuff come along, then that obviously would have an impact on that. But we still aim to get a good dividend policy going here, which you can see now with the increased dividend to $0.04 a quarter.

Mike Hickey

Nice. Great job, guys. Good luck.

Neal Menashe

Thank you.

Operator

The next question comes from Jason Tilchen with Canaccord Genuity. Please go ahead.

Jason Tilchen

Good morning and thanks for taking the questions. I think to start I'm just wondering if you could share a little bit more about the opportunities you see within some of the key growth markets that you talked a little bit about in the press release. How much of that is coming from underlying market growth versus new markets entering and also from share gains in existing markets?

Neal Menashe

Okay. So, firstly, all the growth is coming from our existing markets. And remember, we said we'd become laser focused on the countries when we picked out countries. Whether it's on African countries, in Europe, Canada, et cetera, New Zealand, we are honing in on those and of course we are opening up some new markets along the way. But the new markets that we're opening, it's all about how we can get sustained profitability in those markets. And we had a big effort in the latter part of last year of closing down markets that we do not see a path to profitability. And I think all of that is showing in our numbers moving forward.

Alinda van Wyk

And Jason, just to add there, that is also the focus on what Neal just made reference to there with the marketing spend. We stay at a higher percentage, so we invest to have that ability to increase the market share to your question, in that specific market.

Jason Tilchen

Okay. Great. That's really helpful. And you talked a little bit about the pipeline of additional markets in Africa that you see. Can you just maybe share a little bit more about what the timeline looks like there and what the level of investment that you talked about, sort of having some marketing spend that you're ready to sort of deploy in sort of compelling opportunities. Does that mean Africa and sort of what are the markets that you see as really interesting growth opportunities there?

Neal Menashe

Yeah. So, the opportunities, there are new markets we've opened up along the way. I think in the news we opened up Botswana recently. So, there are more coming. It's all about each market and is the software being efficient in those markets. And I think we can't be in all the markets and that's why we've taken back some of the markets where we see there is no path to profitability. But we've put a few more coming this year. And again, the existing ones, it's all about the product enhancements in the existing ones and the marketing spend in the existing ones. And then speaking of some of the European markets we're in, we are seeing good growth there. Just the one that's – probably the one that we haven't seen good growth is in Germany. But I think the whole industry as a whole hasn't seen good growth in Germany, just based on how the regulation has gone there. But the other markets, we are seeing good growth.

And I'll just mention something like Brazil, we applied for a license and at the last minute we decided not to go for it. We don't see our product ready to be competitive in Brazil. We will rather fix it for the rest of the world. And that's why you see we are super focused on the markets we are in and it's coming down to the customer numbers. You can see it in our systems, et cetera.

Jason Tilchen

Great. Thank you very much.

Operator

Our next question comes from Bernie McTernan with Needham and Company. Please go ahead.

Bernie McTernan

Great. Thanks for taking the questions. Maybe just to start, just want to touch on the 2025 revenue guidance. It implies a pretty big step-down from what you achieved in 2024. So just maybe any comments in terms of 4Q one-timers or beneficiaries, and maybe just taking a step back on guidance methodology where some of the outperformance came in 2024 versus the original guidance?

Alinda van Wyk

Sorry, Bernie. Just to repeat your question, are you making reference to the step-down from guidance because it's actually increased, double digits increase in guidance for ex-US business for both revenue and adjusted EBITDA.

Bernie McTernan

Sorry. I was just saying the year-over-year growth is a step-down in 2025 versus 2024 or versus the exit rate in 4Q.

Alinda van Wyk

I think, for the first time, we actually combined our ex-US and US revenue, which then gives you the number, total, of over €400 million combined. But if you look at ex-US, it's increased to €435 million adjusted EBITDA or above that and €1.83 billion. So, both is double-digit growth, top and bottom line.

Neal Menashe

And I think from my point, it's greater than these numbers. Obviously, this is what we want to achieve and we're off to a good start but maybe just above sports results along the way. So obviously they were favorable to us in the last quarter, but we obviously are always cognizant of that fact. Our business it's still about 75% to 80% casino. So, these numbers we think we could be greater than that but we just have to be cautious.

Bernie McTernan

Okay. Understood. Thank you. And also, just want to touch on Apricot. The deal closed last May, so over six months of the asset being under your control. Anything that you could do now that you weren't doing before or just generally how is it contributing to performance?

Neal Menashe

Okay. So, two things. Remember in Apricot, the sportsbook in Apricot was always ours, right, the PAM and then obviously they use our feeds, et cetera, so that we're seeing a direct benefit of being able to be the market-leading product in the countries in which we operate in Africa. So, I think that coupled with our marketing spend. Remember, in our numbers, which is super important, we're still keeping 23% marketing budgets, right? So we've got like that €400 million and €440 million of marketing. I'm not saying we're going to deploy it all, but we're only going to deploy it when we see the opportunities and the same way is if you need the enhanced product so that you get this super operating leverage.

And I think that for us is key. We could easily, and I say this every year, we could drop our marketing budget from 23% down to 20% and we could bring in another €100 million of profit. But that's not really what we held. We want a sustainable long-term business and it's all about the sustainability of our customer base, which is what we're seeing in the enhanced features that our products offer, especially in Africa but really within the rest of the world. We've got UK, Canada, Ontario and New Zealand, et cetera.

Bernie McTernan

Understood. And just last one for me. Any update – obviously the US is now included in guidance. Any updates in terms of the strategy and is 2027 still the right way to think about the first profitable year?

Neal Menashe

Yes. I think so. And it's about us getting the revenue up and then of course the operating margin there. Basically, now in the US, we are covering all our costs except for the marketing. So now it's about them recovering more of their marketing costs as the revenue increases.

Bernie McTernan

Great. Thank you both.

Operator

Our next question comes from Jed Kelly with Oppenheimer. Please go ahead.

Jed Kelly

Hey. Thanks for taking my question. Just as we kind of look at the balance above the year and the guidance, are you contemplating Alberta becoming legal potentially? And then what other regions should we be watching in terms of potential pitfalls, regulations? Or can you just talk about the regulatory environment? And I have a couple of follow-ups.

Neal Menashe

So, we're only expecting Alberta in the first-half of 2026 in our numbers. And then you know there's been a slight bit of increase in Texas coming in the UK and that's factored in some levy there but it's a small amount. And then of course in our numbers from the second half in 2024 was some additional tax

in New Zealand. So that's included in our 2025 numbers. But then we are hoping New Zealand regulates in 2026 and we fall down the line there with all the regulatory.

Jed Kelly

And then when we look at your cash balance, obviously you got plenty of capacity to do a dividend. How should we think about potential acquisitions and what you would be looking to acquire? Would you be targeting regions and sort of Africa, Australia and New Zealand where some of the other competitors might not be or is it more tuck-in acquisitions? And then what would your 4Q sportsbook results have been if you had just normalized hold? Because I think you had favorable sports results last quarter, correct?

Richard Hasson

Hey, Jed. Richard here. I'll answer the first part of your question. So, in terms of opportunities, we're constantly assessing a number of them across the globe I would say in complementary regions or existing regions. So, it's probably more in the form of tuck-in M&A opportunities across both sports betting and gaming across the regulated landscape.

Neal Menashe

And then I'll just argue on the margin. So, the sports model actually was a normal margin in quarter four but then you had that plus casino both coming together. So, it wasn't an extraordinary margin in those months, it's just that in the rest of the quarters before, you had some outlier winnings, so they were less. What I think quarter four shows when the two are going together, the sports and the casino, then you see the profits we delivered. And I did say on the call that December was our highest-ever month of deposits, customers and that for me is all about returning customers into our system and into our ecosystem. And then we had 5.3 million on average, but for me the big number is the 2.2 million in one day. And that just shows where we've come from. It used to be 1.8 million before and that's about all the customers depositing and playing in our sportsbooks and casinos.

Jed Kelly

Yeah. Okay. And then I guess just circling back to the US. You guided today – I mean the governor of New Jersey, he's doing a budget address today at like 3 PM. Some are speculating he potentially could raise gaming taxes upwards to like 25%. Would that change how you view about the US if New Jersey

does go to a higher tax rate? And would that make you potentially want to pull out of those markets just given the higher taxes? Thanks.

Richard Hasson

I think Jed any proposed increase in the tax rate will form part of our macro question on those markets or any other is it a sustainable, profitable path for us in those markets? And if the higher tax rate in theory meant that there wasn't, then we would take a view at that point. But for now, we continue doing what we're doing, seeing good green shoots in those markets based on current tax rates and the current markets. And that means for now we continue doing what we're doing.

Neal Menashe

But also, most importantly, what we've done in the last year, right, is have cost efficiencies. I think we're down like 1,000 people. And it's not because it's to get the cost efficiencies in. It's all about cost efficiencies. It's all about the systems we are putting in that can manage more as we increase volume, we don't increase staff counts, et cetera, but all of that is to make an operating efficient cost base. And that's what also helps weather some of these increase in taxes.

Jed Kelly

Thank you. Great year and great job. Thanks.

Neal Menashe

Thank you.

Operator

This concludes our question-and-answer session. The conference is now concluded. Thank you for attending today's presentation. You may now disconnect.