Gambling.com Group
Second Quarter 2024 Earnings Conference Call
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Presenters
Peter McGough, Senior VP, Investor Relations & Capital Markets
Charles Gillespie, Co-Founder & Chief Executive Officer
Elias Mark, Chief Financial Officer

Q&A Participants
Jeff Stantial - Stifel
Barry Jonas - Truist Securities
Aaron Lee - Macquarie Asset Management
Clark Lampen - BTIG
Ryan Sigdahl - Craig-Hallum Capital Group
David Katz - Jefferies

Operator
Welcome to Gambling.com Group's Second Quarter 2024 Earnings Conference Call.

At this time, all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation. If anyone should require operator assistance during the conference, please press "*" and "0" on your telephone keypad.

As a reminder, this conference is being recorded.

I would now like to turn the conference over to Peter McGough. Thank you, you may begin.

Peter McGough
Thank you. Hello, everyone, and welcome to Gambling.com Group's Second Quarter 2024 Results Call.

I am Peter McGough, Senior VP of Investor Relations and Capital Markets. I am joined by Charles Gillespie, Gambling.com Group's Co-Founder and Chief Executive Officer, and Elias Mark, Chief Financial Officer.

This call is being webcast live through the Investor Relations section of our website at gambling.com/corporate/investors, and a downloadable version of the presentation is available there, as well. A webcast replay will be available on the website after the conclusion of this call. You may also contact Investor Relations support by emailing investors@gdcgroup.com.

I would like to remind you that the information contained in this conference call, including any financial and related guidance to be provided, consists of forward-looking statements as

defined by securities laws. These statements are based on information currently available to us and involve risks and uncertainties that could cause actual future results, performance, and business prospects, and opportunities to differ, materially, from those expressed in or implied by these statements.

Some important factors that could cause such differences are discussed in the Risk Factors section of Gambling.com Group's filings with the Securities and Exchange Commission.

Forward-looking statements speak only as of the date the statements are made, and the company assumes no obligation to update forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information, except to the extent required by applicable securities laws.

During the call, there will also be a discussion of non-IFRS financial measures. A description of these non-IFRS financial measures is included in the press release issued earlier this morning, and reconciliations of these non-IFRS financial measures to their most directly comparable IFRS measures are included in the appendix to the presentation and the press release, both of which are available in the Investors tab of our website.

I'll now turn the call over to Charles.

Charles Gillespie
Good morning, and thank you for joining us. Strong NDC growth led to record Q2 revenue and adjusted EBITDA. Our year-over-year revenue growth of 18% to $30.5 million and adjusted EBITDA growth of 19% to $11.2 million highlight the benefit of our international diversification.

We generated very strong iGaming growth across Europe, including the UK, and our business in North America was resilient in the face of exceptional performance in the comparable period.

Stepping back from our phenomenal quarterly results and looking at the bigger picture, our performance in Q2 underscores three key factors that reflect the strong position Gambling.com Group occupies in the online gambling ecosystem, a position we are very confident we will continue to build upon.

First, our team is exceptional at addressing, in real time, any changes in the operating environment to optimize our performance. As we discussed on our Q1 call, in early May, Google started to deprioritize content from most media partnerships. This had an immediate impact on contributions from our media partnerships, which led to the conservative guidance revision we provided on our Q1 call.

The difference in our Q2 performance, compared to the expectations we provided on May 16, is primarily due to the fact that our team was able to respond, immediately, to the changes and recalibrate our portfolio of owned and operated sites faster than had been initially expected.

To-date, the effects of the Google policy shift have also been less pronounced than originally expected.

The second bigger picture factor is to highlight is the critical value we continue to create for our B2C online gambling operator clients. For nearly 30 years, performance marketing has proven to be one of, if not the biggest, source of new players for growing operators. We estimate that about 40% of the iGaming and 30% of the sports betting customers and operators as databases in established markets were delivered by the performance marketing channel.

While these percentages are lower so far in North America, we expect that they will continue to trend toward the established markets as levels, as players continue to mature and certainly as iGaming expansion eventually takes hold.

Most importantly, as demonstrated by our Q2 results, we believe we are consistently growing our industry's share on a global basis, and we are better positioned than ever before with the right assets, technology, and teams to further this growth.

And the third factor I want to remind everyone of, this morning, is the relentless digitization of the gambling and advertising worlds. While in certain established markets, online gambling revenue dwarfs land-based gambling revenue, many of the world's largest economies are still at the beginning of their relationship with this industry, and digital advertising continues to grow in importance and influence as it offers marketers the highest level of visibility and certainty for the return on their investments.

With our portfolio of platinum brands such as Gambling.com, Bookies.com, and Casinos.com, we are in the sweet spot of this convergence, controlling the valuable high intent audience determined to become customers at our clients' websites.

These factors, combined with our strong first half performance, now give us confidence to raise our revenue and adjusted EBITDA guidance for this year. The mid-points of our new guidance now reflect year-over-year revenue growth of 15% and adjusted EBITDA growth of 24%. This confidence in the business is the reason we have repurchased over 6% of our outstanding shares, to-date. We also remain as active as ever in evaluating M&A opportunities and will not hesitate to pursue the right targets.

Our balance sheet and free cash flow generation enable us to both repurchase shares and fund acquisitions.

And finally, we remain confident we are on a clear path towards generating $100 million in adjusted EBITDA, given our exemplary execution, high cash flow generation, organic market share gains and disciplined M&A growth focus.

Now, let me turn the call over to Elias for a review of the second quarter financial highlights and details on our revised full year outlook.

Elias Mark
Thank you, Charles. Revenue of $30.5 million was a second quarter record, as we delivered more than 108,000 NDCs to customers, up 19% compared to the year ago period. The 18% year-over-year revenue increase primarily reflects strong growth in iGaming revenue, across Europe.

Revenue in the UK and Ireland rose 18%, year-over-year, out of Europe was up 111% and rest of the world revenue grew 70%, following strong performance by Gambling.com and our other owned and operated assets and the initial contributions from the acquired Freebets.com and related assets.

Revenue in North America was stable, year-on-year, when factoring out the atypically strong OSB performance we saw in Q2 last year, which we discussed at the time. Inclusive of such performance, North American revenue was down 8%, year-over-year.

Gross profit increased 16% or $4 million, year-over-year, to $29.1 million.

Cost of sales grew 60%, year-over-year, to $1.4 million, but was down 36% from the first quarter. Our cost of sales, which are directly related to our media partnership revenues, were higher in the second quarter than we anticipated at the time of our Q1 call, as a higher level of this business was sustained through the quarter than expected, at the time.

Gross margins increased to 95% from 92% in the first quarter.

Total operating expenses declined 15% to $20.8 million, reflecting the elimination of fair value movement in contingent consideration and a modest decrease in G&A, partially offset by increases in sales and marketing and technology expenses.

Adjusted EBITDA increased 19%, year-over-year, to second quarter record $11.2 million, compared to $9.4 million in the year ago quarter. The Q2 adjusted EBITDA margin of 37% was up from 36% in the year ago quarter.

Adjusted net income for the second quarter of 2024 rose 13% to $7.4 million from $6.5 million in the year ago period, while adjusted diluted net income per share of $0.20 increased 18% from $0.17 per share in the second quarter of 2023.

Operating cash flow of $0.2 million includes $7.2 million of the final BonusFinder.com payment. Excluding this payment, operating cash flow would have been $7.4 million.

Free cash flow was $6 million in the second quarter, compared to $8.7 million in the year ago quarter, reflecting working capital movements and increased capital expenditure related to our new offices in the U.S.

During the second quarter, we repurchased approximately 834,000 shares at an average price of $8.17, per share. To-date, we have repurchased approximately 2.3 million shares at an average price of $8.76, representing more than 6% of the total outstanding shares.

Earlier this week, we completed repurchases for the entirety of the previous $20 million share buyback authorization. Yesterday, the Board approved an additional $10 million authorization to continue share repurchases.

As of June 30, we had total cash of $7.5 million, a $17.8 million quarter-on-quarter decrease, reflecting cash utilized for share repurchases, the final cash payment of $13.6 million for BonusFinder.com, and the initial $20 million cash consideration paid for the acquisition of Freebets.com and related assets. As of June 30, we had drawn a total of $18 million on our $50 million credit facility.

This morning, we raised our guidance for 2024 revenue to now be between $123 million to $127 million with a mid-point representing 15% year-over-year growth. The mid-point of our new higher adjusted EBITDA range of $44 million to $47 million represents 24% year-over-year growth.

Looking at some of the factors that comprise our outlook for the year, we continue to see strong demand for consumer signups for new player accounts and operator demand for performance marketing services.

As Charles highlighted, we expect to manage our portfolio websites to grow revenues in 2024, despite the impact of a Google policy change on our media partnerships.

For the full year 2024 period, our guidance does not include contributions from any new acquisitions. The guidance also assumes no additional U.S. state launches, beyond the recent launch in North Carolina.

We now expect full year cost of sales of $6.5 million, of which $3.7 million was incurred in the first half of the year.

Finally, our guidance assumes an average euro to USD exchange rate of 1.09, throughout 2024.

Operator, we are now happy to open up the line for questions.

Operator

Thank you. Ladies and gentlemen, we will now be conducting a question-and-answer session. If you would like to ask a question, please press “*” and “1” on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press “*” and “2” if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick your handset, before pressing the star keys. Ladies and gentlemen, we will wait for a moment while we poll for questions.

The first question comes from Jeff Stantial with Stifel. Please go ahead.

Jeff Stantial
Hey, thanks. Good morning, Charles, Elias. Thanks for taking our questions.

Charles Gillespie
Hey, Jeff.

Jeff Stantial
Maybe starting out on the current customer acquisition environment that you're seeing in North America. More specifically, we've heard from several operators this earnings season that the volume of users being acquired is surprising them to the upside, while cost per user acquired continues to decline, more specifically for the scaled players. I guess, on that first dynamic, are you also seeing an uptick in new organic searches on your site recognizes that noisy physical changes in a fragmented affiliate landscape.

I'm just curious if you're able to discern all the incremental user cohort, as well. And then on the second, on the declining tap, are you seeing any big shift away from affiliate channels or pricing pressure? Or is it reasonable to conclude that this comment really more refers to economies of scale on the brand awareness side of operator marketing budgets? Thanks.

Charles Gillespie
From our perspective, the operators don't erratic, they don't meaningfully change their approach to affiliates, quarter-to-quarter or year-to-year. And the thing that really drives our business is really supply, how many people are searching for what we're offering. And those trends are always up and to the right. The number of people searching for the high intent keywords in the United States continues to grow, and we continue to capture a greater share of it.

Yes, operators have different moods, and one quarter may be slightly more aggressive than other quarters but, by and large, what's dictating the number of--the amount of revenue we're able to generate with the client is the supply of people that we can send to them. It makes sense that their CAC is coming down because, from our perspective and consistent with the public comments that they have made, they have turned off a lot of things that were not working.

A lot of the TV, radio, outdoor stuff that you can't track, no attribution; that's come way down. Whereas there's been no meaningful change with the way they deal with affiliates. That's--they know that works because they can track it. They have the attribution, it's black and white. So there's absolutely no reason that they would back off on that.

So, I think the reason the CAC has come down is because they have become more efficient overall, and as they have become more efficient, a greater proportion of their spend has come to companies like us.

Jeff Stantial
That's great. Thank you for that, Charles. And then for my follow-up, turning to the comments made on your media partnerships and the raise to full year cost of sales guidance, I think both you, Charles, and Elias commented on this a bit, but I'd love to dig in a little bit further. So contribution from media partnerships is surprising a bit to the upside.

Do you think this is more of a timing phenomenon, just in terms of taking time for Google to sort of manually push back on some of these media partners involvement and affiliate offers? Or do you think this is kind of more durable with more of these media partners likely to stick around, even after these changes roll through? And let me know if that makes sense. Thanks.

Charles Gillespie
That's a great question, and we've been asking ourselves the same question. I think at this point, we have a fair amount of clarity on the situation, although I wouldn't say that it's black and white and we understand exactly where the lines are with Google.

When we updated guidance in May, we took a conservative view as we had made clear at the time, given the changes were quite fresh and we had limited visibility. And now that we have more visibility, the Q2 contribution was higher than our guidance suggested at the time.

Moving forward, we now expect cost of sales related to media partnerships to be approximately $6.5 million for the full year, 2024, versus the previous guidance of $4.7 million. And in H1, we already had $3.7 million in cost of sales. So, from our perspective, there absolutely remains a bright future for these media partnerships, if they're the right partnerships. There's certainly been a--the wheat has been separated from the chaff, big time.

We don't do very many of these, but when we do them, we do them with very substantial publishers, and that has absolutely inured to our benefit, as these partnerships have evolved. But they are going to be less prominent than they have been in the past.

We continue to be focused on being great partners to our media partners and are, increasingly, looking at all the different ways we can leverage our capabilities to help them ,beyond just organic SEO. There's a lot of different things that we can do for them and, obviously, now is the right time to fully take advantage of that.

And as you can see from our Q2 results and our raised guidance, our owned and operated sites performed strongly during the quarter and were ahead of our expectations. The diminished visibility of media partnerships and search engines, directly translates to improved visibility of our owned and operated sites where our margins are substantially better.

Jeff Stantial
That's great. Thanks for that color, Charles, and congrats on the strong quarter.

Operator
Thank you. The next question is from Barry Jonas with Truist Securities. Please go ahead.

Barry Jonas
Hey guys, good morning. As we think about newer U.S. states versus more mature, is there a sizable difference in NDC growth? I mean, I guess we hear concerns around slower state legalizations, and I just want to better understand that. Thanks.

Charles Gillespie
Yeah, I think one point that we've been really keen to make to everybody that will listen is that there's a very long, healthy growth opportunity, after these new states finish launching. In the first three months, you get a lot of interest, a lot of demand comes to market, there's a lot of activity, and then it kind of bottoms out. But after three months, it just keeps growing every year, indefinitely. And that's where we're seeing growth in North America.

It gives us a lot of confidence to expect growth in certain parts of our portfolio this year and growth overall in North America, next year. But I think it's underappreciated how much some of these kind of the early cohort of regulated states are continuing to grow. You look at New Jersey; New Jersey is still growing. I mean, there's a lot of growth outside of these new state launches. So of course, we're really looking forward to the next new state launch. But even in the absence of one of them, we fully expect the business to be growing over the medium and long-term.

Barry Jonas
That's great. Thank you for addressing that. And just as a follow-up, curious if you could talk a little bit more about the M&A pipeline, any noticeable changes since Q1 earnings and any areas you maybe are a little more focused on today than others.

Charles Gillespie
Yeah, we continue to have a lot of great conversations, but we remain as famously picky as we've ever been. We look forward to announcing something when the time is right, but we--with our great organic growth, we don't feel like we're under any pressure to do something. We've already done a fantastic deal this year with the Freebets.com acquisition, which is trending ahead of expectations.

As we've already mentioned, we are spending a lot of time evaluating opportunities, which are tangential or adjacent to the real money online gambling affiliate business that we know and love. There's a broad universe of opportunities for us to sell more things to our existing clients or leverage our existing skills in complementary businesses with similar margins and cash flow characteristics in the gaming space. So, we'll be delighted when we announce something, but can't say any more than that, at the moment.

Barry Jonas
All right. Fair enough. Congrats on a great quarter. Thanks.

Charles Gillespie
Thanks, Barry.

Operator
Thank you. The next question is from Chad Beynon with Macquarie Asset Management. Please go ahead.

Aaron Lee
Hey, good morning. This is Aaron on for Chad. Thanks for taking our question. Just kind of going back to Google for a second. There was a recent court ruling that Google has been running an illegal monopoly on search. Can you just share any thoughts on how that might impact your business?

Charles Gillespie
Hey, Aaron, yeah, good question. If you go back to the Microsoft antitrust case, it took better part of a decade before they made any real headway in enforcing the antitrust desires of the government. So I don't think we--absolutely nothing is going to happen, imminently. It might be five years, might be 10 years before anything happens. And as and when it does happen, then sure, you can speculate about what the changes will actually mean, but five and 10 years is a long time in technology, I think.

By the time they got to the end of the road with Microsoft, the browser was less important than it was at the beginning of the process, and the whole exercise seemed like a waste of time.

So, I think what would be more relevant to us would be the pace at which consumer search patterns are changing. And frankly, to-date, we haven't seen any change, as a result of generative AI and various kind of AI enabled search engines. The volume of search that still comes off of Google is, I mean, it's higher than ever and the traffic is still there, nothing's changed. And that, obviously, gives us a lot of confidence.

More than a year into the new kind of era of generative AI that traditional search is, simply, it's just two different products, its two different things and two different use cases. And people are,

clearly, continuing to use Google in the way they have for a long time. So if they actually spun off Android or actually managed to break it up, I think it'd be a long time from now. And I don't, frankly, see the search business being terribly impacted, but ask me again in five years.

Aaron Lee
Got it. Appreciate that. And then with regard to Freebets, I believe we're still in the integration window you talked about last quarter. But can you update us on how the integration is going and whether your expectations for its contribution in 2024 has changed at all? Thank you.

Charles Gillespie
Sure. We are a few months in, at this point, and we have been, consistently, trending ahead of expectations in terms of the revenue produced by the acquired assets. The acquisition included a substantial base of NDCs, previously referred on a revenue share basis, and this is where we have seen actuals exceed our expectations.

We've already, successfully, migrated certain aspects of the acquired portfolio to our technology stack, including our ad tech, and we will continue our integration work across the entirety of the portfolio for another few quarters.

But we expect to see benefits from this in Q4 ,as we drive increases in the number of NDCs produced by these assets, and we now expect that the assets will exit 2024 on a materially higher run rate than what was implied by our initial guidance when we announced the acquisition.

Aaron Lee
Understood. That all sounds great. Appreciate all the color. Thanks, guys.

Operator
Thank you. Before we take the next question, as a reminder to our participants, that you may press "*" and "1" to ask a question.

The next question is from Clark Lampen with BTIG. Please go ahead.

Clark Lampen
Good morning, everybody. Thanks for taking the questions. Charles, I wanted to see if maybe we could just drill down a little bit more on expectations over the balance of the year for growth, I guess in two ways. I guess one, sports betting versus iGaming, but then North America versus Europe. Should we expect, I guess, most of what we've seen in 2Q and the first half of the year to sort of continue over the balance? And I wanted to, I guess, kind of also follow-up on your point around exit rates of growth for the year.

If we're thinking about the performance business, in general, sort of being back on track right now, Freebets, I guess, really hitting its stride, I guess, towards the end of the year. What does

this, I guess, kind of suggest right now about the medium-term organic growth profile of this business, overall? And then, maybe for Elias, I guess as part of that, what does that medium-term growth rate translate to? Now, from a cash flow standpoint, we have a pretty good sense of the outflows that are ahead.

If we're thinking about inflows and cash flow conversion off of this business, maybe give us a sense of, in addition to the top-line outlook, what it translates to, to the bottom line. Thank you.

Charles Gillespie
Hey, Clark. In terms of North American growth, to be clear, there's parts of our North American portfolio, which have grown year-on-year in 2024 and will continue to grow in the second half of the year. That said, our media partnership business was a substantial proportion of our H2, 2023, revenue in North America and that will be substantially smaller, this year. So on balance, we do not expect to grow overall in 2024 in North America. However, we are confident that we will continue to take meaningful market share in North America.

Looking forward, we expect North America to grow modestly in 2025, from same state sales alone. And when we get expanded regulation, of course, especially in iGaming, growth will reaccelerate and with more new state launches and/or a wave of new operators entering the market. But never forget that this is a global business and we have 18 years of history operating outside of North America. And we grew the UK and Ireland by 11.5% and other Europe by 75% in the first half of the year.

On exit rates, we haven't provided any specific guidance for 2025 yet, of course, but we do think it'll be double-digit, low-double-digits organic growth in North America, even without any new state openings. And specifically in the context of the Freebets acquisition, when we tabled our initial guidance for that acquisition, we said $10 million in revenue and $5 million in adjusted EBITDA for the last three quarters of 2024.

Of course, the first quarter of the year tends to be one of the best quarters of the year. So if you're looking at that on an annualized rate, you have to put a little extra weight on the Q1. And now we're saying for 2025, we will exit 2024 with those assets on a substantially higher run rate. So that will set us up for growth, both in predominantly in other Europe, in the UK and Ireland, next year.

Elias Mark
I could just add, Clark, to the second part of your question on our expectations for the second half of the year. And as you said, the expectation is that the UK and Ireland, other Europe and rest of the world will continue to be the growth drivers in the second half, as we've seen in the first half of 2024.

If you look at margins with the current proportion of our media partnership revenue, our H1 margins are indicative of run rate and correlates with the mid-point of our full year guidance. So our guidance, including $6.5 million in cost of sales for 2024, is expected to produce gross margins in the mid-90s. And the mid-point of our adjusted EBITDA margin for the full year is 36%, which is consistent with the first half of the year.

Clark Lampen
Thanks very much.

Operator
Thank you. The next question is from Ryan Sigdahl with Craig-Hallum Capital Group. Please go ahead.

Ryan Sigdahl
Hey, Charles, Elias. Good day, guys. I want to start with other Europe, really nice strength and acceleration there, I guess. Anything to call it specifically, and then maybe more broadly speaking, the benefit you guys saw from the Euros 2024?

Charles Gillespie
Just to start with Euros 2024, because that's an easy one. Our sports betting business is predominantly in the U.S. We have an iGaming first strategy, around the world. We try not to--we don't go into markets, which don't have iGaming. The only real exception to that is the U.S. because of the huge long-term iGaming opportunity. And entering now with sports betting is the obvious way to preposition for that bright future.

But in terms of other Europe, Freebets saw some positive on the margins, exceeded expectation, and definitely caught a bit of a tailwind with the euros. But in other Europe, we've got new licenses in Greece and Romania. So we're now licensed in both jurisdictions and live in both markets, and we expect those to be growth drivers, over the medium-term, so we can kind of maintain some of these elevated growth rates moving forward.

But the Freebets acquisition is a mix. It was both the contribution from the Freebets acquisition and organic growth in our own operated assets.

Ryan Sigdahl
And just for my follow-up question, you specifically, Rush Street, BetRivers announced they were refining their affiliate strategy. They're cutting off certain low ROI affiliates effective, September 1, while leaning in with others in iGaming specific states.

I guess two parts to the question here. One, did you get--did Gambling.com sites get that termination letter? And then secondly, how do you think your properties have been performing from a customer ROI standpoint versus years past, and also versus competitors, as operators kind of refine their strategies here?

Charles Gillespie
Yeah, I think from a customer ROI standpoint, we have always--not only are we iGaming first, but we're also highest player value, first. We know the keywords and search terms, which are correlated with the highest player values. And we have--and those are the most competitive ones, those are the hardest ones to get. But we have always gone for those, first.

And our clients understand that and they understand that they're--we are one of, if not the best ROI affiliate to work with. It's hard to get kind of hard data out of them that, that evidence's that because they would, naturally, lose some leverage and pricing power with us. But it's a comment we have, repeatedly, heard from them.

In terms of RSI, we work with RSI and over 250 other operators. We've got a lot of respect for the team at RSI but, simply put, they are not--they are a small client. We continue to promote and work with them in various states, but their particular pullback in certain areas will not have any effect on us, and we raised guidance this morning.

Ryan Sigdahl
Great. Thanks, Charles. Good luck, guys.

Operator
Thank you. The next question is from David Katz with Jefferies. Please go ahead.

David Katz
Hi, good morning, everyone. Thanks for taking my question. I think -- we've talked about North America a decent amount. But to the degree that you can, qualitatively, can you just talk about this long-term $100 million and just help us maybe unpack it a little bit? And how much of that becomes North America whenever it is that we--so to get there, I assume that's a much faster growing aspect of all this, unless I'm mistaken.

Charles Gillespie
Yeah, look, we--as we said, we're very confident on reaching $100 million in adjusted EBITDA in the next couple of years. We're not going to put a specific timeline on it until we have more clarity on additional new state launches in the U.S. and, also, more clarity from an M&A perspective. Obviously, M&A will play some part in that, and North America will, clearly, play a substantial part in that.

We get a lot of questions on Latin America, for example. And if you look at Latin America in the context of us reaching $100 million in adjusted EBITDA, I don't need Latin America to get to $100 million in adjusted EBITDA. But there's a lot of opportunity in Latin America. Obviously, Brazil is on everyone's tongue these days. Brazil--when Brazil fully regulates and people start paying taxes, the people with businesses in Brazil are going to be dealing with very different customer lifetime values.

And we--that doesn't affect us because we're not big in Brazil, today. But Latin America and Brazil are, of course, interesting opportunities, stuff that we're looking at and thinking about. But just in the context of the overall global opportunity for this business, I would expect us to be able to get to the $100 million, predominantly, on the back of the markets we're already in, plus new state launches and some M&A. We wouldn't need to make some giant push into some region that we're not already active in.

David Katz
Perfect. I think you, Charles, maybe you set up my follow-up question pretty nicely, which is intuition suggests that should U.S. states raise tax rates, that changes the value proposition for operators and works to your benefit. Is that a fair assumption for us to make?

Charles Gillespie
Yes and no. I mean, if the taxes go up, the player LTVs come down, and that affects everyone in the whole ecosystem, including the players. This DraftKings surcharge thing everybody's been talking about for the last couple of days and, obviously, they've walked it back.

But I thought it was really interesting and I thought it was really a smart thing to do. You could debate about how they implement it, but the reality is these costs are real, and whatever manner the operators come up with, they're going to pass it along to the players.

Maybe not the whole thing, maybe it's just part of it. But this idea of putting it into some sort of separate bucket is actually an act of transparency that brings more attention to this issue. And more attention should be brought to this issue because at a certain level, the tax rates are unhelpful.

It inhibits market growth. It doesn't allow the operators to compete effectively against the black market. It actually lowers the amount of tax that these states will be able to collect. So I think it's an--I applaud DraftKings' efforts to highlight the issue. It affects everybody. Our ability to sell our traffic is based on the value of that traffic, and if the taxes are higher, it's not helpful.

David Katz
Longer discussion than we have time for. Thank you very much.

Charles Gillespie
Thanks, David.

Operator
Thank you. Ladies and gentlemen, that was the last question for the question-and-answer session. This concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation.