

MERIDIANBET STATEMENTS

EDITED TRANSCRIPTS

Meridianbet (GMGI) at Citi Global TMT Conference, NYC

Event Date / Time: September 05, 2024 / 4:40 PM ET

SEPTEMBER 05, 2024 / 4:40 PM ET, Meridianbet (GMGI) at Citi Global TMT Conference, NYC

Corporate Participants

Zoran Milosevic, CEO

Presentation

Andrew Fabian (Citi)

QUESTIONS AND ANSWERS

Andrew Fabian - Citi

Thank you, everyone, for joining us today. It's my pleasure to be here with Zoran Milosevic, the CEO of Meridianbet, which merged with Golden Matrix earlier this year. Meridianbet is a leading omni-channel sports betting and gaming operator, primarily operating in the Balkans, but also in regulated markets across Europe, Africa, and Latin America. Zoran has been the CEO of Meridian since 2008 and has over 20 years of experience in senior roles within the industry, expanding operations across more than 30 markets. With that, I think it's a natural segue to ask: Can you provide a little background on Meridian, where you are today, how you got here, and also the strategic rationale behind the merger?

Zoran Milosevic – CEO of Meridianbet

Thank you for inviting us to this part of this amazing event. To give you some background about Meridian: Meridian is a 25-year-old company, founded in Southeast Europe. In our early stages, we focused on expanding within Southeast Europe. Currently, we employ 1,200 people, with 100 of them being software developers. We deliver our services through 800+ shops worldwide, and we operate across all segments of the gaming industry, both online and retail, covering sports betting and casino. Today, the revenue split between casino and sportsbook is 50/50, while the split between retail and online is 25/75, with the online casino segment growing much faster than the sportsbook.

What's particularly interesting is that Meridianbet originally started as a B2B business. Meridian is a tech company at its core, and we've been developing our own software for both sportsbook and casino since day one—so that's 25 years of coding and software development. Everything you see, whether it's our sportsbook or casino, is created in-house. Even in the casino segment, from the games to the back office, we're developing everything ourselves. So far, we have 50 online casino games that we've built. As a tech company, we initially engaged with the B2B segment, which is how we started the business. Believe it or not, at one point, we were operating in over 50 jurisdictions worldwide. However, over the past 6-7 years, we shifted more towards a B2C model because it's more profitable, and today, the B2C segment accounts for 85% of our revenue.

SEPTEMBER 05, 2024 / 4:40 PM ET, Meridianbet (GMGI) at Citi Global TMT Conference, NYC

Currently, we operate in 17 regulated jurisdictions worldwide, and we plan to increase our presence in the B2B segment as well. Meridian has just developed a completely new product—arguably the best product available—which we will be presenting at G2E in Las Vegas in early October. And that's a brief overview.

Andrew Fabian - Citi

So, how do you see Golden Matrix fitting into that? What was the rationale behind the merger, given the relationship you've just talked about?

Zoran Milosevic – CEO of Meridianbet

Yes, let me give you a bit of background so you can better understand our reasoning. Essentially, Meridian, about 6-7 years before the merger, had a clear goal to become a public company. We saw that gaming companies globally were growing larger and larger, and new markets were continuously opening up. When the U.S. market opened, it was a major milestone for the sports betting industry worldwide because their regulatory decisions influence other markets that haven't regulated yet. We've seen this impact in Latin America, and it's only a matter of time before it happens in Asia as well.

In Europe, the sports betting market is quite saturated, but outside of Europe, it's not. When we saw these developments, we realized we didn't want to remain a "small fish in a big pond." So, one of our goals was to become a public company to ensure we could compete with the giants, raise capital if needed, and enter new markets. We were already on this path, and our initial goal was to list on the London Stock Exchange (LSE). Back in 2017 - 2019, the LSE was the primary market for gaming companies. However, after U.S. regulation changed in May 2018, we shifted our focus to the U.S. because, as I said, that market was our milestone, and we wanted to be part of it.

During this time, as we pursued becoming a public company, we spoke with many companies, and one of them was Golden Matrix. To be honest, it was a fast decision for us. First of all, from a cultural perspective, we found that both companies were very similar. Both have been run conservatively, in a neat and highly profitable manner—we've been highly profitable from day one. We've never had losses in our business, and each year has been better than the last, with the exception of the COVID year. Golden Matrix had a similar track record—a highly profitable, well-managed, and conservative company. For us, that was more than enough.

From a business perspective, we were very complementary. What we do, they don't, and vice versa. Additionally, in terms of markets, they were strong in Asia, which was the only continent where we had no presence. It was unfamiliar territory for us, and we saw great potential for learning and benefiting from this synergy. Golden Matrix was already a listed company, so they had the expertise to guide us through

SEPTEMBER 05, 2024 / 4:40 PM ET, Meridianbet (GMGI) at Citi Global TMT Conference, NYC

the process of becoming public. As you know, in April 2024, we successfully merged through a reverse merger and became a joint company. That's the short version, but it's been a long journey for us to get here.

Andrew Fabian - Citi

Great, you've touched on the complementary markets. Of course, you're the leader in the Balkans from a market share perspective. Can you talk about how you accomplished that growth and reached the position as a top 3 player in the market, and ultimately, your plans to expand into new regions and markets—Brazil, for example? Any color on that would be great.

Zoran Milosevic – CEO of Meridianbet

As I mentioned earlier, one of the key differences Meridian has compared to its competitors, especially in Europe, is that we became multijurisdictional from day one. Early on, we entered several different markets, whereas our competitors remained stuck in 1-2 neighboring markets, trying to expand within those existing markets. Being multijurisdictional gave us deep corporate knowledge about different customer habits, mentalities, and regulatory environments, which we built into our business model and software. This allowed us to differentiate ourselves from our competitors, and that's been a key factor in our success.

The second critical factor is technology. Back when I started in this business, every company was developing its own software. Today, however, 95% of companies don't develop their own technology—they rely on third-party providers. This creates a significant difference. When you control the software and technology, your product is simply better. That's how Meridian has continued to set itself apart, and the gap is only growing. In my personal opinion, companies that don't control critical technology won't be able to survive in the next 5-10 years, that's for certain.

Andrew Fabian - Citi

You bring up an interesting point—technology as a differentiating factor for you. Could you talk a little more about the origins of that? I know you mentioned that you've been coding since the company's inception. How has that scaled to where it is today, and where do you see it going in the future? Are there any interesting implementations, such as AI, that you're integrating into your technology?

Zoran Milosevic – CEO of Meridianbet

As I mentioned, the roots of our technology go back to when I joined the business. At that time, it was quite normal for every company to have its own programmers working on things, often in garages or backyards. But over time, around 2005/2006, it became much more resource-intensive, and it wasn't easy to maintain anymore. It raised a key question within management: do you invest your efforts and attention in day-to-day operations—how to get more bets, spins—or do you invest in technology? It became quite difficult to manage both at the same time.

Due to this dilemma, most companies decided to abandon their in-house coding efforts. By 2008-2010, the B2B market became overcrowded, with many companies offering B2B services. So, for companies like ours, there was a choice: either purchase a third-party product, which was often good and cheaper than building it in-house, or continue developing our own technology. Fortunately for us—but unfortunately for many others—95% of companies chose the easier path and outsourced their technology.

Even within Meridian, we had similar thoughts at times when we encountered difficulties with our software. However, looking at the bigger picture and understanding how valuable owning our technology was, we always found the strength to keep investing in it, keep experimenting, and ensure we had a better product than our competitors, while maintaining a fast pace of innovation. That decision to stick with our in-house development was crucial, even though it was difficult. As I said, many companies chose to outsource because it was cheaper, but from my point of view, strategically, they made a mistake.

Andrew Fabian - Citi

The point you made about investment is interesting. In America, I think there's that ongoing debate of growth vs. profitability. How do you approach user acquisition and marketing, and what is your broader strategy? Also, what are your thoughts on that debate between growth at all costs vs. focusing on profitability?

Zoran Milosevic – CEO of Meridianbet

That's a very interesting question. In that area, we have a somewhat different approach than others. Being a private company, especially in Europe where investment banking isn't as developed as in the U.S., and with banks not being friendly when it comes to gaming, we were forced to survive with our own money. We never invested anybody else's money, only ours. So, when you enter a new market, it's your own money on the line.

SEPTEMBER 05, 2024 / 4:40 PM ET, Meridianbet (GMGI) at Citi Global TMT Conference, NYC

Zoran Milosevic – CEO of Meridianbet

For us, every decision comes down to nickels and dimes when it comes to marketing. Our strategy has always been to find niches, not to follow the crowd, because we couldn't compete with the big players in that segment (at least in the past). We couldn't raise unlimited amounts of money and run at a loss for an indefinite period, as that would bankrupt us. So, we used creativity, found niches, and pursued them—that's how we win, and we plan to continue with that mentality in the future. It's benefited us in the past, and we believe profitability is the most important factor in business. We remain very focused on maintaining high profitability rates, as we've done before.

When it comes to marketing, we're present across every channel—offline and online—but we are very careful about where we allocate most of our money and time. As I said, it's about finding the right niche.

Andrew Fabian - Citi

You mentioned online and offline channels. What are the main channels for you—is it influencer marketing, social media, TV ads, or other traditional media? How do you approach that strategy?

Zoran Milosevic – CEO of Meridianbet

As I mentioned, we compete in every single segment, but most of our money definitely goes into social media. That's where the trends are, and to acquire younger generation customers, we need to be present across all social media platforms. For older generations, we focus more on offline marketing and sponsorships. But for new customers, social media is king, and we're always looking for new social media networks where we can benefit.

Andrew Fabian – Citi

You touched earlier on how you switch between B2B and B2C. With the evolution of the business, both from an online vs. brick-and-mortar standpoint and in terms of B2B vs. B2C, where do you see the company evolving over the next 5-10 years in both of these areas?

SEPTEMBER 05, 2024 / 4:40 PM ET, Meridianbet (GMGI) at Citi Global TMT Conference, NYC

Andrew Fabian - Citi

You touched earlier on how you switch between B2B and B2C. With the evolution of the business, both from an online vs. brick-and-mortar standpoint and in terms of B2B vs. B2C, where do you see the company evolving over the next 5-10 years in both of these areas?

Zoran Milosevic – CEO of Meridianbet

That's a really good question. The trends are showing that brick-and-mortar is declining, but it won't disappear entirely—it will always be around. However, in oversaturated markets like Europe, you can probably say that in 5 years, 50% of the old betting shops will be closed. That's the trend, around 5-10% per year, because as I mentioned, the market was overcrowded. In places like the U.S., where retail betting didn't exist to begin with, nothing significant will happen.

We still have 800 betting shops, and all of them are profitable. The profit margins are very low, but they are still generating money and serve as good marketing and customer support points. Sometimes, they even act as payment providers, so they remain beneficial in those terms.

Regarding B2B vs. B2C, about 10 years ago, B2B was much more profitable, but over the last 7-8 years, B2C has become dominant. The reason is that nothing new has happened in the B2B segment. The last major product or architecture I can recall being developed in B2B was 12-15 years ago. So, we're talking about outdated products, and no one except us is developing anything new. We're the only ones with new software for B2B, while everyone else is still using legacy systems.

Another shift is in the clients you can sell to. In the past, you could sell to hundreds of small and medium-sized companies, but now most of them are gone. The only clients left are large, multi-billion-dollar companies, and they are the ones we target.

Andrew Fabian - Citi

Yes, I think that's a great point, and when I think about the gaming landscape in America, it's obviously becoming increasingly competitive. What do you see as the key differentiator? You mentioned the tech stack, but what truly sets Golden Matrix and Meridian apart from your peers?

SEPTEMBER 05, 2024 / 4:40 PM ET, Meridianbet (GMGI) at Citi Global TMT Conference, NYC

Zoran Milosevic – CEO of Meridianbet

For Golden Matrix, our primary focus is to start operations in the U.S. as quickly as possible. We're currently busy completing the necessary licensing and regulatory requirements. When it comes to our focus, it will primarily be B2B, specifically in sportsbook and our portfolio of online casino games, which we have a huge interest in and are very optimistic about. So, in the B2B segment—both sportsbook and online casino games—we're very confident. At some point, we might also consider B2C.

Andrew Fabian - Citi

One question I was thinking about is that you obviously hold a top 3 market share in your core markets, but how do you think about potential new entrants from the U.S. or other parts of Europe coming into the local Balkan markets? What are the competitive advantages and moats that you think will help you retain and even grow that position?

Zoran Milosevic – CEO of Meridianbet

What's happening in Europe is that U.S. companies are entering the market, but they are doing so through acquisitions only—no one is starting from scratch. They're buying local competitors, who are very well known to us. In such situations, a lot of localization needs to be done. When it comes to Europe, we are very confident that our positions are stable, and we will continue to grow.

These U.S. companies may have a lot of market resources, but localization is something that must be done, and it's often a challenge. Most of them also change their software upon market entry, which creates a very secure position for us because they face delays and adjustments, while we are already established with localized knowledge and systems in place.

Andrew Fabian – Citi

How much of a challenge is the regulatory landscape for U.S. players trying to enter? Is it very difficult for a U.S. company to come in without that kind of local knowledge, or is it primarily done through acquisitions?

SEPTEMBER 05, 2024 / 4:40 PM ET, Meridianbet (GMGI) at Citi Global TMT Conference, NYC

Zoran Milosevic – CEO of Meridianbet

From my experience on both sides, the regulatory requirements in Europe are huge. There are more regulatory frameworks in Europe than in the U.S., so U.S. companies face significant challenges. When they acquire existing companies, those companies are already properly regulated and entrenched in that environment. But beyond that, there are several other areas—like player protection, anti-money laundering (AML), and similar issues—that are much more complex and stringent in Europe compared to the U.S. These are challenges that many U.S. companies still don't fully understand.

Andrew Fabian – Citi

In the U.S., there's a lot of focus on sports betting, but the conversation around iGaming (online casino) hasn't really gained traction yet. How do you think about your iCasino strategy? You have your own content studio, so how do you see this strategy evolving over the next 5-10 years?

Zoran Milosevic – CEO of Meridianbet

Definitely, in the long run, online casino will dominate. In Europe, it's already happening—casino has overtaken sports betting. Europe is now 60-70% in favor of casino, while sportsbook is either stagnant or growing at a single-digit pace. In contrast, online casino is growing at double digits, primarily because of younger generations. Sportsbook caters more to the 40+ demographic, while the majority of casino players are 18+ or 21+. These younger customers prefer online casino because they want to see results quickly; they don't want to wait 2-3 hours for the outcome of a match. That's why online casino is much more attractive and will eventually dominate everywhere, including the U.S.

We saw a similar pattern in the past when horse racing transitioned to sportsbook. When I first entered the business, online casino didn't exist—it was all about horse racing vs. sportsbook. At the time, horse racing was something older generations grew up with, while sports betting attracted younger customers. I remember bookmakers back then were scared of sports betting, thinking it was risky and dangerous, but over time, even that new thing—sports betting—has now become "old." We're seeing the same trend today, just with different players. Now it's casino vs. sportsbook, and casino is what appeals to younger generations. The dynamics are similar, only the players and roles have changed.

SEPTEMBER 05, 2024 / 4:40 PM ET, Meridianbet (GMGI) at Citi Global TMT Conference, NYC

Andrew Fabian – Citi

We talked a little bit about how marketing will evolve in the next 5-10 years. Can you provide some color on how you think about your future growth strategy, whether it's organic or inorganic? What is your approach?

Zoran Milosevic – CEO of Meridianbet

We want to grow on every single front, and whatever opportunities are out there, we will apply the same level of effort. This includes organic growth, acquiring small and medium-sized companies, and expanding our B2B segment—and we're already seeing that happen.

What's different with us is that we always enter new markets through B2B first. For the last 20 years, our strategy has been to get into a market on a B2B level, which is the cheapest way to explore the market, get to know the customers, test if the product is ready, and adjust if necessary. It also allows us to understand the regulatory environment. After 3-5 years of B2B operations, once everything is set, we turn that into a B2C business.

Most of the markets we operate in today were initially B2B markets. We've never entered a market without first testing it on a B2B level. This strategy has given us an almost 100% success rate, and we continue to follow it. Brazil is an example of this, as is South Africa, and this pattern has benefited us greatly. So on every front, we follow the same approach—entering new markets through B2B, focusing on organic growth in existing markets, and making small to medium-sized acquisitions, like the recent acquisition we made in Australia.

Andrew Fabian – Citi

Australia is interesting—how are you thinking it through? And earlier you mentioned how Golden Matrix has a foothold in Asia. How do you see the potential growth strategies in Asia? What is the regulatory environment like there? Is it very different from entering Europe, North America, or Latin America?

Zoran Milosevic – CEO of Meridianbet

You can perceive the issue in two layers: one is regulatory, and the second is product. From a regulatory perspective, we've seen a trend of aggressive regulation worldwide for over 20 years, starting in Europe. Believe it or not, in the last 5 years, out of 50+ European countries, 49 have become regulated.

Zoran Milosevic – CEO of Meridianbet

Meanwhile, the rest of the world was slow in terms of regulating sports betting. Then Africa followed suit—some African countries had regulations that were 50-60 years old, but the majority of others, reflecting what happened in Europe, started regulating about 15 years ago. Today, almost 60% of African countries have solid regulations.

Now we see this trend happening in the U.S. The U.S. was a milestone, and it marked the biggest quality development in the sports betting business ever. This has already impacted other parts of the Americas—Brazil, Colombia, Peru, and Canada have all started regulating as a direct result of what happened in the U.S. Next in line is Asia. We've seen announcements from Japan, and some federal states in India are also moving toward regulation. If you think about it, 60% of the world's population is in Asia. What we've done so far in Europe, Africa, and now the U.S. covers only about 40% of the population, so the largest part of the world is yet to come. This regulatory trend will define the types of markets we'll be focusing on over the next 20 years.

On the other hand, when we think about the product, that's more of a "black box." For example, when I started in the business, it was unimaginable that online casino would make up 60% of the industry. The trend is clearly moving toward gaming, and customers want faster and faster products. That's something we can confidently bet on. However, what the product will look like in the future is still uncertain. It's likely that casino games will start to resemble video games more and more, and whoever can innovate in that space will probably win in the future.

Andrew Fabian – Citi

So, you're saying there's more of a crossover into social gaming, and you see that trend playing out?

Zoran Milosevic – CEO of Meridianbet

It's already happening. You can see companies like Playtika, which operates social non-payout casinos, and they're valued at around \$3 billion. Ten years ago, we thought it was crazy and impossible that someone would wager money on a site with no payout. Or take Zynga Poker as another example.

Younger generations, who are growing up on social media and playing games like Fortnite, will eventually become adults and be allowed to gamble. And that's the kind of interaction they'll expect to see. We'll definitely be testing in that direction.

SEPTEMBER 05, 2024 / 4:40 PM ET, Meridianbet (GMGI) at Citi Global TMT Conference, NYC

Andrew Fabian – Citi

Thank you so much for your time, and thank you everyone for joining. I really appreciate it.

Zoran Milosevic – CEO of Meridianbet

Thank you.

DISCLAIMER

Meridianbet Group reserves the right to make changes to documents, content, or other information on this website without obligation to notify any person of such changes.

In conferences, events, or statements that this transcript is based on, companies may make projections or other forward-looking statements regarding various matters. Such forward-looking statements are based on current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement due to several important factors and risks, which are more specifically detailed in the companies' most recent SEC filings. Although the companies believe that the assumptions underlying the forward-looking statements are reasonable, there is no assurance that the results contemplated in such statements will be achieved.

The information contained in these transcripts is a textual representation of the applicable company's conference calls, and while efforts are made to provide accurate transcriptions, material errors, omissions, or inaccuracies may occur. Meridianbet Group does not assume responsibility for any investment or other decisions made based on the information provided on this website or in these transcripts. Users are advised to review the applicable company's filings and conference calls before making any investment or other business decisions.

©2024, Meridianbet Group. All Rights Reserved.