THOMSON REUTERS

EDITED TRANSCRIPT

Gamesys (Holdings) Limited, JPJ Group plc - M&A Call

EVENT DATE/TIME: JUNE 13, 2019 / 2:00PM GMT

CORPORATE PARTICIPANTS

Keith Laslop *JPJ Group plc - CFO & Director*
Lee Daniel Fenton *Gamesys Limited - CEO and Director*
Neil Geoffrey Goulden *JPJ Group plc - Executive Chairman*

CONFERENCE CALL PARTICIPANTS

Andrew Jason Goffe *Overbrook Management Corporation - CEO, CIO, Director & Portfolio Manager*
David Brohan *Goodbody Stockbrokers, Research Division - Analyst*
Richard Paul Stuber *Numis Securities Limited, Research Division - Analyst*
Roberta Ciaccia *Joh. Berenberg, Gossler & Co. KG, Research Division - Analyst*
Simon Davies
Sreedhar Mahamkali *Macquarie Research - Analyst*
Victoria Elaine Pease *Edison Investment Research Limited - Analyst*

PRESENTATION

Operator

Good afternoon, ladies and gentlemen, and thank you for standing by. Welcome to JPJ Group plc's conference call regarding the strategic combination of JPJ and Gamesys. (Operator Instructions)

Please note that this call is being recorded today, Thursday, 13th of June, 2019, at 3 p.m. London time. If you have not received a copy of the announcement regarding the strategic combination that was issued today, you can find this on the JPJ Group plc's profile on the SEDAR website or on the JPJ Group plc website at www.jpjgroup.com.

Please be aware that we will be discussing some information about the business that is forward-looking and which is based on management assumptions and subject to a number of risks that could cause actual results to differ materially from current expectations. Please note that we will also be discussing some non-IFRS measures on today's call. For the definitions and reconciliation's of these non-IFRS measures, please refer to the RNS we issued earlier today.

I will now turn the conference over to Mr. Neil Goulden, Executive Chairman of JPJ Group plc. Please go ahead.

Neil Geoffrey Goulden ***JPJ Group plc - Executive Chairman***

Thank you, Val. Good afternoon, everybody, and welcome to today's JPJ call for analysts and investors. The purpose of the call is to discuss the announcement made by JPJ plc this morning that we have entered into an agreement to acquire Gamesys for GBP 490 million for a mixture of cash and new JPJ shares. With me on the call today are Lee Fenton, CEO of Gamesys and CEO-designate of the proposed merged business post completion; and Keith Laslop, JPJ's CFO, who's well-known to all of you.

I will start today's call by quickly outlining the transaction highlights. Lee will cover the rationale behind the transaction, and Keith will add some details of the financials and talk about the completion timetable. We will then take questions, and we have to close the call by 4 p.m.

So let's start with the transaction highlights. JPJ has acquired Gamesys for GBP 490 million: GBP 250 million in cash and GBP 240 million in 33.7 million shares. The share is valued on the 30-day average share price of GBP 7.125. The deal excludes sports brands and games content studio which will be carved out. The GBP 250 million cash payment will come from our cash reserves and GBP 175 million add-on to our existing bank facility, making it clear that we're not refinancing our debt. We have a facility which allows us to, under certain terms, have an add-on, so this is an add-on of GBP 170 million to our existing bank debt. The acquisition multiple is 7.3x 12 months adjusted EBITDA for the 2018 calendar year.

The Enlarged Group will be renamed Gamesys Group plc. That will be the, if you like, a holding company name, and then there will be the trading brands below that. The consideration shares represent 31% of the Enlarged Group. They will predominantly rest with the original founders of Gamesys. Customary lock-ups are in place on all major sellers. The new group will have 108.1 million shares, by my reckoning, at a share price of GBP 7.50, and I think we're trading above that today. That will give us an GBP 810 million market cap, which is comfortably inside the FTSE 250. We expect the merger stroke acquisition to be double digit and earnings accretive in 2020. Cost savings are expected to be single-digit millions. The reason we just say single-digit millions is this is a growth story. The rationale here is not one based on cost savings.

The new senior team will consist of myself remaining as Executive Chairman. Lee Fenton will be group Chief Executive. Robeson Reeves will be group COO. Keith Laslop will be CFO, and Simon Wykes will be staying with the group for at least a year in the role of Transition Director. All of those senior directors will be based in London.

The deal is subject to JPJ shareholder approval at and each AGM, and we're hoping to get the prospectus out next week or the week after. And the deal is also subject to regulatory consents and in completion of the Gamesys carve-out reorganization referred to above. We expect to complete towards the end of Q3, and the main rationale behind the transactions we believe that we are acquiring some high-growth, very well-trusted brands in Virgin, Heart and Monopoly and that will add to our existing portfolio of Jackpotjoy, Starspins, Botemania, InterCasino and Vera&John. The combined group will own 2 proprietary platforms: Gamesys, which is quite U.K. focused; Vera&John, which trades in global markets and is more casino based.

We will bring together an exceptional and proven management team, and we will be adding 2 new nonexecutive directors to the Board. We had our AGM earlier today and 2 of our long-standing directors have stood then: Paul Pathak and David Danziger. That leaves us currently at the merger -- point of merger, we would have 4 executive directors, 4 non-execs and myself as Chair, which is compliant. But we would want to appoint 2 further nonexecutive directors, and we have a short list of people that have global digital marketing experience, which is the target we're looking for.

We will have a very strong operating and technology infrastructure with over 1,000 employees. And as part of the deal, we will be acquiring bingo content and a slot game studio, plus a 15-year content agreement with the carve-out company. And we will have exclusivity for 3 years on some of our key games.

On that point, I will hand over to Lee.

Lee Daniel Fenton ***Gamesys Limited - CEO and Director***

Thanks, Neil. Hello, everyone. I should start by saying that I'm delighted to be here today as CEO-designate of the newly merged Gamesys Group plc. I'm excited about the opportunities ahead for the Enlarged Group. I'll point you to the transaction rationale on Slide 9 of the investor deck, 5 reasons why we think this deal makes sense to shareholders and for future investors in the business.

This deal brings about the strategic alignment of complementary and high-growth online gaming companies. The combined group will have a diversified, highly recognized and long-established brand portfolio with exciting opportunities for international expansion. It brings together an executive team that both know each other well after building a strong working relationship over the past 4-plus years and have an excellent record in the creation of shareholder value. The Enlarged Group will own technology and directly employ all the people powering the revenues, putting the company fully in charge of its own destiny. And finally, the increased scale will both enhance the player experience and profitability. So let me walk you through a bit more detail on these points.

Moving to Slide 10. I expect you would know a great deal about the JPJ Group business and probably much less about Gamesys. The Gamesys business was founded in 2001 and has been one of the leading U.K. success stories in the online gaming world. The vast majority of our technology development, marketing and customer operations are in-house, allowing us the ability to craft a superior customer experience. We own the proprietary technology of one of the biggest bingo networks in the world. Since we sold Jackpotjoy, Starspins and Botemania in 2015, our focus has been on supporting those brands for JPJ Group as well as growing the other brands we operate through leveraging trademark licensing arrangements with Virgin, Global Radio for Heart Bingo and Hasbro and Scientific Games for Monopoly Casino. For the 9 months ending December 2018, we have 239,000 active customers per month. 85% of those active are mobile with a 54%-46% split, female to male. Revenue and EBITDA growth has been strong. From our financial year March '17 to financial year March '18, revenue growth was 63%, and EBITDA growth was 86%.

Moving to Slide 11. I believe the collection of brands in the combined group will be a powerful mix. We know that most customers like to play across a number of brands. Having this enlarged brands table will allow us to maximize our share of wallet in the market and to optimize our marketing budget as we remove the Chinese walls of data we've had in existence since we sold the U.K. brands. JPJ Group has also driven substantial growth in Asia complementary to the Gamesys footprint. Two brands, in particular, lend themselves to international opportunities, but both Virgin and Monopoly are global super brands.

On Slide 12, you can see the scale of the awareness of the Virgin brand and the global reach of the Monopoly brand. Virgin Games has grown strongly since we acquired the business in 2013. Virgin Group was pleased enough with our progress to renew up to 30-year global trademark license agreement when just 5 years into the initial turn. Josh and the team at Virgin have been tremendously supportive of our progress, and you can see his endorsement on the slide. Monopoly Casino is our most recently launched proposition and got to GBP 20 million of NGR quicker than any other site in the history of Gamesys. Both of these brands predominantly been leveraged in the U.K. market thus far that the unique global appeal means that we believe there are great opportunities for international growth over time.

Moving on to Slide 13. The combination of the executive team comes with tremendous experience in the sector, a track record of growth and an already established working relationship throughout 4 years of partnership. Robeson and I are delighted to join the team and work more closely with our long-time partner to drive future growth opportunities, but it's not only the leadership that excites me. Great technology, great marketing, great data management and great customer service all lead to the conceived of, developed and delivered by people. The combined group will have well over 1,000 employees, and it is their combined talent that provides the platform to exploit all of our future opportunities.

Moving to Slide 14. This increasing capability ensures that end-to-end customer experience through all aspects of customer engagement are owned. The integration reinforces our partnership and will fully align business strategies across technology, marketing operations and game development. The strategic alignment with multiple brands and platforms allows us to exploit opportunities with more flexibility. Executional and operational risks are reduced due to scale and the depth of expertise in the Enlarged Group. This is a platform we feel will be highly competitive in the market and will continue to provide great player experiences.

Moving to Slide 15. Increasing our active base can unlock more rapid optimization and personalization capabilities due to more customers flowing through the platforms, enabling us to create an improved experience through community and real-time campaign targeting. This also allows for more confidence in investing in marketing and leads to both procurement and margin efficiencies. This combination will help us accelerate the virtuous cycle of using enhanced liquidity and enhanced data analytics to target reinvestment in the business and drive continued growth.

Let me now hand over to Keith, who will talk you through the financials and the financing.

Keith Laslop ***JPJ Group plc - CFO & Director***

Thanks, Lee, and hello, everyone. From my side, I want to say that the financial rationale for this deal is as compelling as our strategic rationale. If you look at Slide 17, you can see the revenue, adjusted EBITDA and adjusted EBITDA less CapEx for the businesses. The left side of the slide, investors will be very familiar with: our business which showed solid growth over the previous 3 years. The right side are the Gamesys results, significant growth due to their third-party brand strategy. Their current business is roughly half our size but has grown at a much faster rate, very cash flow generative like us. Circa 22% of Gamesys' calendar of 2018 EBITDA relates to us and the fees we provide them. 78% relates to their brands we list in the deck. Our combined pro forma adjusted EBITDA is disclosed within our RNS, the adjustment that is needed to be made to reflect the content arrangements we have put in place with iwi, the carved-out content business. In 2018, this would have added GBP 8.5 million of extra expense. So pro forma EBITDA adds to GBP 171 million. This content arrangement has circa a 1.7% impact on the EBITDA margin of the businesses, so pro forma EBITDA margin of the combined entity is 34%. An important metric for all shareholders is that we expect this transaction to be double-digit earnings accretive in 2020.

Moving on to Slide 18. The transaction will be financed with GBP 250 million in cash and 33.7 million in JPJ shares. The GBP 250 million in cash will be comprised of our own cash on hand as well as a fully underwritten GBP 175 million equivalent term loan add-on. We proceeded with an add-on versus a complete debt refinance to minimize fees on any debt raise. And therefore, the terms of our add-on are likely to be very similar to our existing debt terms. We have also deferred GBP 10 million of the purchase price for 30 months. 33.7

million shares, [finished] with the gains of shareholders is a good signal as to the excitement for the growth opportunities we have as a combined business. The debt raise does mean that leverage will increase slightly from where it is today, roughly half a turn. However, a track record of deleveraging speaks for itself, and the growth profile of the acquired businesses is such that the deleveraging profile of the Enlarged Group is expected to be enhanced versus Jackpotjoy on a stand-alone basis.

Moving on to Slide 19. I'll just touch on time lines. Within the next 2 weeks, we anticipate issuing a prospectus to shareholders. That completion and shareholder vote are anticipated in July. Expected completion of the transaction will likely be September given regulatory approvals required.

Slide 20 revisits the many merits of the deal to the company and shareholders.

And on that note, I'd like to open up the call to any questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) The first question comes from the line of Roberta Ciaccia from Berenberg.

Roberta Ciaccia ***Joh. Berenberg, Gossler & Co. KG, Research Division - Analyst***

Yes. I have a few questions actually. The first ones are for Keith. You said before, if I got it correctly, that 78% of the EBITDA of Gamesys, on a, let's say, 12-month basis ending December 2018, 78% comes from non-JPJ brands. So does this mean that from JPJ, Gamesys derived only GBP 15 million of EBITDA? First question.

Keith Laslop ***JPJ Group plc - CFO & Director***

Correct.

Roberta Ciaccia ***Joh. Berenberg, Gossler & Co. KG, Research Division - Analyst***

Yes, correct. Okay. Second question. So when we look at the combination of the 2 companies, basically everything that JPJ will gain from Gamesys will be -- all of the EBITDA coming from Gamesys will be completely accretive. So you will have cost savings on one side, as in all the things that -- all the fees you're currently paying to Gamesys will be completely offset by the acquisition.

Keith Laslop ***JPJ Group plc - CFO & Director***

Correct.

Roberta Ciaccia ***Joh. Berenberg, Gossler & Co. KG, Research Division - Analyst***

Okay. Then can you tell us what would be the actual EBITDA basis on 2019, including POC3? Am I right in assuming that it should be a '19 part of GBP 10 million, more or less, for Gamesys?

Keith Laslop ***JPJ Group plc - CFO & Director***

So how I think of -- how I would explain a fully baked-in multiple would be the POC impact is largely offset by the cost savings that we'll incur or that we will have. Cost savings fall into roughly to 2 buckets. One is what we've listed in the presentation, mid-single digits, which comes from not having an extra office as well as not incurring dis-synergies from internalization, and there would have been some other hires needed to be done if we were to proceed with internalization. The other bucket of cost savings would be, if you recall, there's a 25% margin uplift in 2020 should we have continued. That would have started in April 2020 so that would have added to roughly GBP 5 million, so the cost savings themselves offset the POC impact.

Roberta Ciaccia ***Joh. Berenberg, Gossler & Co. KG, Research Division - Analyst***

Perfect. Okay, very clear. So you expect to have a significant operational leverage, I suppose, from the platform ownership, which you wouldn't have had on a stand-alone basis?

Keith Laslop ***JPJ Group plc - CFO & Director***

I think that we haven't really dove into because this isn't a synergy story for us. We haven't really dove into as much as perhaps you would if it was an acquisition based on synergy. I can tell you, though, right now, there are -- they have an excellent platform. There are tools that they've created that we had on our road map that we will no longer have to create, so I think that there will be definitely some benefits of being able to piggyback on their platform in a lot of respects.

Roberta Ciaccia ***Joh. Berenberg, Gossler & Co. KG, Research Division - Analyst***

Okay. If I can have just another one on leverage. According to my very preliminary estimates, by the end of this year, you should be just below 3x net debt to EBITDA. Is that correct to assume that you will reduce to -- you expect to reduce roundabout 2x or less by the end of 2020?

Keith Laslop ***JPJ Group plc - CFO & Director***

Yes. I think that's not an unreasonable expectation. I think that this acquisition has increased our leverage by, as I said, roughly half a turn. Now in the past, you have seen us delever at 0.1 of a turn a month. Now given the regulatory measures and everything that happened last year, we have to annualize that out. So I think once all those regulatory measures are annualized, which is more likely around the end of this year, yes, I think, and that tie to share numbers as well that we would start to delever much faster. And I think given the growth profile of the assets and the business that we're buying, our deleverage capability is actually enhanced through this acquisition.

Operator

Next question comes from the line of Simon Davies from Deutsche Bank.

Simon Davies

Yes. A few from me. First, the EBITDA uplift from Gamesys in the last year, pretty dramatic, (inaudible). Can you talk us through some of the factors behind that profits growth?

Lee Daniel Fenton ***Gamesys Limited - CEO and Director***

Well, I think we -- sorry. It's Lee here, Simon. In terms of our activity, obviously we've got brands in high-growth mode, so we've been investing heavily. What we've found with the combination of brands that we've got that we've been able to spend marketing funds extremely efficiently and that's for many, many more first-time depositors on to the platform, and we've seen them grow nicely in terms of all of the tool sets that we have. So that's really -- we spent heavily via the pool in a similar vein, and you can see that it -- well, it starts to [throw] up.

Simon Davies

And in terms of the numbers, obviously I would have expected to see some impact from the shift in the Sun Bingo contract, but it isn't evidenced in either customer numbers or revenues. What impact did that have on the business? Or did you manage to replace it with other brands?

Lee Daniel Fenton ***Gamesys Limited - CEO and Director***

I think it had a very beneficial impact on the business, and I think that people were used to playing on the platform and keen to continue to play on the platform. And either through the Heart Bingo business or actually also through Jackpotjoy, they have a place to go that wasn't a different platform, and they could have the same kind of user experience. So some net-net drops with an extremely positive experience.

Simon Davies

And just a couple more, if I may. You obviously got your partnership Tropicana in New Jersey. What is the U.S. strategy for Gamesys? Are you looking at other states and rolling out there?

Lee Daniel Fenton ***Gamesys Limited - CEO and Director***

We are looking at other states. It's quite challenging in many instance to make a profitable case for going in, to be honest, when you look at some of the tax rates, you look at things like Pennsylvania, et cetera. That's challenging. And of course, the U.S. land-based operators are all playing a very strong gatekeeper role and extracting quite a decent price for that gatekeeper role. So we have a great relationship with Tropicana, obviously Eldorado now owned, and that's been over many years since the opening day at New Jersey. So that gives us a great foothold into the first gate -- first [series] thing, I would say, that's emerged in the U.S. And we'll continue to look at what the opportunities are, but we won't overpay to get into those opportunities.

Simon Davies

And is that business profitable in New Jersey?

Lee Daniel Fenton ***Gamesys Limited - CEO and Director***

It is. Yes.

Simon Davies

And lastly, just in terms of B2B capabilities. Obviously, that's been a key focus for Gamesys. Is that going to remain a key focus for the Enlarged Group? And do you see yourselves expanding that side of the business?

Lee Daniel Fenton ***Gamesys Limited - CEO and Director***

I don't believe that it has been a massive focus for Gamesys. Really, if you look at our story over the last 4 or 5 years, we have had won really large B2B customer in Jackpotjoy Group. And other than that, we've really dropped the Sun relationship and replaced it with what I'll call brand franchises, but they are very much B2C businesses for us. But we operate direct and pay a license fee and work with the brand owners, so very much, I would say, a B2C focus in that regard.

Simon Davies

So a white-label style model?

Lee Daniel Fenton ***Gamesys Limited - CEO and Director***

Correct.

Operator

The next question comes from the line of [Elias Abdullah] from 1729 Capital Limited.

Unidentified Analyst

Just a question on the content carve-out. I just want to understand a bit more around the economics there and what the rationale is behind it, if you could explain.

Keith Laslop ***JPJ Group plc - CFO & Director***

So hey, [Elias], it's Keith. The economics of it, you can see in the pro forma that we've list in the RNS, whereby if we had put this content agreement in place from January 1, 2018, and of course if the deal had happened in January 1, 2018, it would have meant for GBP 8.5 million of content we expect. So that has changed our EBITDA margin or the combined EBITDA margin by only 1.7%. In terms of the rationale, as I think Neil mentioned, it's not our core strategy to sell content around the world. Much more important for us to have exclusive rights to content. We've done that on a couple different occasions. We start to create our own content as well. We have exclusive rights to the top 3 franchise brands that you can see within the deck for 3 years, and that is important to us. And the content agreement in itself goes for 15 years, which is also important for us.

Unidentified Analyst

15, you said?

Keith Laslop ***JPJ Group plc - CFO & Director***

1-5, correct.

Unidentified Analyst

I just want to go back to the GBP 171 million EBITDA. So basically, what you're saying is, let's come back to the question of Berenberg had said, that's a good guide for when you would come out post-POC because you'll have some cost savings in there. So you see the GBP 171 million.

Keith Laslop ***JPJ Group plc - CFO & Director***

Yes.

Operator

The next question comes from the line of Andrew Goffe from Overbrook Management Corporation.

Andrew Jason Goffe ***Overbrook Management Corporation - CEO, CIO, Director & Portfolio Manager***

Congrats on the deal. On the content carve-out, I'm just trying to understand. Let's say you want to launch Virgin in Canada, for instance. The new Gamesys Group can do that for 3 years? Or I'm just trying to understand like what you have the rights to and what you don't have the right to in terms of international expansion and how that changes after 3 years.

Keith Laslop ***JPJ Group plc - CFO & Director***

So you're confusing content with brand partnerships with that. So the content that we have or the games that you see on the site, the brand partnerships would be Virgin Games it's its own site altogether, so we don't have what we have up to 30-year exclusivity on Virgin Games because we have up to a 30-year brand partnership license with Virgin on that side. On the content itself, so the specific games you play, the top 3 franchise brands, and I'm talking Tiki franchise, [Paper Wings] as well as Double Bubble. Those are specific games that our players really enjoy playing, and we have 3-year exclusivity on that -- on those games.

Andrew Jason Goffe ***Overbrook Management Corporation - CEO, CIO, Director & Portfolio Manager***

All right. So I mean hypothetically post this 3-year exclusivity, what can iwi group do that they couldn't under the first 3 years?

Keith Laslop ***JPJ Group plc - CFO & Director***

They can resell those games to other parties within the U.K, Spain, Sweden, New Jersey. That's what they can do. They can resell those games to other third parties or use them or if they -- or use them themselves, if they ever wanted to.

Andrew Jason Goffe ***Overbrook Management Corporation - CEO, CIO, Director & Portfolio Manager***

I see. But that -- how do you think about that issue because I'm just wondering, I mean, now it seems like everyone's pretty much aligned with Gamesys owning a lot of the games and people owning a lot of stock, but it doesn't seem like there would be an incentive to do that. Or am I missing something?

Lee Daniel Fenton ***Gamesys Limited - CEO and Director***

It's Lee here. I think I should take that one. The -- if you look at who's been left behind to run that game of business in terms of what is becoming iwi games, it is a game studio. All of the operations, all of the platform, all of the people to run that platform, to market that platform, to operate it and to deal with customers are coming with the deal, so over 850 people, taking that count well over 1,000. Iwi games, think of [sites] like NetEnt, sites like Blueprint, that's what they're going to become. We have an extensive exclusivity arrangement with them over 3 key franchises for 3 years but for much of the content that's there today as well for 2 years. So we'll also be getting the -- one of the game studios from my team and all of the bingo studio from that team, which comes into the deal and will help us enhance the game's creation capability inside of JPJ plc. But the main issue, if I get the gist the way you're going with the question, is that they simply don't have the people, the technology, the capability to just bounce back into the (inaudible)

Andrew Jason Goffe ***Overbrook Management Corporation - CEO, CIO, Director & Portfolio Manager***

Okay. Can I ask one more? On the core Gamesys business, I mean, kind of very rapid growth, very successful. How -- could you give us a broad sense how you're thinking about '19 and '20 ex the POC? I mean I assume the growth rate should decelerate, but...

Keith Laslop ***JPJ Group plc - CFO & Director***

Well, I definitely can't give you a cost forecast, Andrew. But definitely, as I mentioned in my script, just as we've had RG measures, AML, GDPR, CMA impacts on our business, they have as well. Gamesys has as well. The difference, really, from us versus them, Jackpotjoy has been a very long-standing brand. It started up in 2002, so therefore it had a lot of VIP customers. A lot of the Gamesys brand that we are now purchasing or the Gamesys company and the brand partnerships they have, have been are, what, they're just much younger companies with less VIPs, less established VIPs, which I think all the RG/AML measures affected the longer-standing brands more than the younger brands.

Unidentified Analyst

Okay. Is it safe to say -- I mean I'm not asking for guidance. But just like broadly speaking, Gamesys would have double-digit revenue and EBITDA growth in '19 and '20 or...

Keith Laslop ***JPJ Group plc - CFO & Director***

I think what I will say, Andrew, which we'll give you some comfort, is that we believe that this will be double-digit accretive in 2020. I think that will enable you to back into some growth rates there.

Neil Geoffrey Goulden ***JPJ Group plc - Executive Chairman***

Andrew, it's Neil. We've got to make sure that Keith doesn't go to jail at this point, but what we are saying that this is a growth story. This is about a platform for global growth. Take your pointers from those examples, a number of that. This is about growth.

Operator

The next question comes from the line of Victoria Pease from Edison.

Victoria Elaine Pease ***Edison Investment Research Limited - Analyst***

Just a few questions, but I'll start. Obviously, Gamesys and JPJ have, broadly speaking, the same number of customers. And just looking at sort of the revenue per customer, Gamesys is sort of 60% and JPJ -- and I understand a great deal of that will come because of the brand partnership and perhaps the deals you have there. But also wondering is it because of the VIPs? Is it a different approach? If you could talk us through the difference between sort of 100% versus the 60% of revenue per customer per month.

Keith Laslop ***JPJ Group plc - CFO & Director***

I think the major difference, Victoria, will be Vera&John, and the phenomenal growth that we've had with Vera&John over the past year, especially outside the U.K., Asian markets, Germany, Brazil. Especially Asia and Germany, the ARPU per customer is much, much higher.

Victoria Elaine Pease ***Edison Investment Research Limited - Analyst***

So doesn't have to do with sort of revenue share share agreement with Virgin or anything like that?

Keith Laslop ***JPJ Group plc - CFO & Director***

I wouldn't say that the revenue share agreement with Virgin has had an impact on ARPU. Now younger brands, of course, you bring in new customers, and that's the other important thing as well. That -- think about Jackpotjoy. It started in 2002. A customer that has been with Jackpotjoy for the last 10 years probably has much higher ARPU than it has when it's been with Jackpotjoy for 1 year. And again, going into the maturity of the brands, the Gamesys brands, which are much younger, they haven't had the length of time with specific customers. And customers do spend a lot more as they get more comfortable with the site, more trusting of the site, the ARPU tends to go up over time.

Victoria Elaine Pease ***Edison Investment Research Limited - Analyst***

Okay. Great. And just of the U.S. part of Gamesys, could you quantify how much U.S. is in the percent of the revenue?

Keith Laslop ***JPJ Group plc - CFO & Director***

It's small, less than 5%.

Operator

The next question comes from the line of Sreedhar Mahamkali from Macquarie.

Sreedhar Mahamkali ***Macquarie Research - Analyst***

Yes. A few questions from my side as well, please. I understand in terms of the growth focus of the deal, it will be helpful for us, however, to understand the growth drivers of the last few years for Gamesys. Not wishing to, as you were saying, get Keith in jail, but just to understand how sustainable the growth rates are. What is it about the business that gives you sort of growth profile that you've had over the past few years? So that will be just helpful to understand. But I think you also talked about the synergy's growth of every new synergy rather. Can you talk a little bit about where you see them coming? And any sort of sense of timing than when we could actually start to see some of these revenues from that piece. Those are 2, but I've got a couple of more. So...

Keith Laslop ***JPJ Group plc - CFO & Director***

I'll answer the 2 for now, so we don't forget. You want to touch on the first one?

Lee Daniel Fenton ***Gamesys Limited - CEO and Director***

Sure. So just in terms of the growth story for Gamesys, I mean, I've really touched on the question earlier when talked about, so it's good, solid, recognized super brands in the market which we've invested heavily in, in marketing and really leveraged the platform to ensure that we've got very engaged customers. Keith's right, That ARPU mix is different to the JPJ core base ARPU mix because (inaudible) flat plan maturity curve, but that has really allowed us to invest heavily. We've been acquiring at rapid rates. That growth curve that you see on the early (inaudible) have flattened somewhat into '19 in the same sector, between sector Y, smaller -- somewhat of a squeeze in the regulatory environment, et cetera that everyone's dealing with and coping with. So it's come down since some of those (inaudible) numbers of '18 into '19, but we're very confident of the growth that would start to go through '19.

Sreedhar Mahamkali ***Macquarie Research - Analyst***

Got you. And in terms of the regional contribution, if the number that we've seen the companies has, GBP 8 million or so from rest of the world, GBP 160 million in the U.K. Is the GBP 8 million the U.S revenues? Is that the way to think about that, please, in terms of revenue by regions?

Lee Daniel Fenton ***Gamesys Limited - CEO and Director***

I don't remember that. Essentially, it sounds correct, but don't quote me on this.

Sreedhar Mahamkali ***Macquarie Research - Analyst***

Fine. Okay. And the revenue synergies and time lines, how -- what are your thoughts where the synergies are likely to be and...

Keith Laslop ***JPJ Group plc - CFO & Director***

So I think what's exciting for us is domestic growth and international growth. That's how I sort of think of them. Domestic growth, that was one of the main impetus during this deal is why distract each other through internalization when we can combine forces, take market share in the U.K. I think we're very well-placed to do that. I think we're in the top 3 or 4 gaming companies that are in the U.K. today. International opportunities, I think, are actually equally or maybe even more exciting. Being able to take some of the super brands to other jurisdictions which we're strong in, that would be extremely exciting. Being able to take our liquidity in bingo, as you know, bingo is a liquidity-based game, and share that across markets. Even today, we just share liquidity in Sweden and the U.K. We don't share it anywhere else in the world. You really need to have a platform for that. We've struggled in the past to get our bingo brand in other jurisdictions because we didn't control the platform. Now that we do or once completion happens, in my mind, that's extremely exciting in terms of rolling out bingo globally and being able to share that liquidity.

Sreedhar Mahamkali ***Macquarie Research - Analyst***

Got you. And last 2. In terms of the 2 platforms that Neil mentioned earlier on, the V&J platform, Gamesys platform, are there any synergies in terms of future development, content sharing, et cetera? Are there anything -- any sort of possibilities that you see in terms of being able to leverage on both platforms?

Neil Geoffrey Goulden ***JPJ Group plc - Executive Chairman***

The answer to that -- sorry, this is Neil. The answer to that -- I'm not a techy. But the answer to that is yes, there must be, but we haven't done any work on that. We haven't put any benefits in for it. But yes, there must be. There must be development games. There must be integration games. There could be cost-saving games. We haven't gone that far yet. But yes, putting those 2 platforms alongside each other. We're going to keep both, but yes, there must be games. (inaudible) so that must be all right.

Sreedhar Mahamkali ***Macquarie Research - Analyst***

The last one is, just back to Gamesys, in terms of the EBITDA margin, last couple of years, big delta. And I think you mentioned already about efficiencies in marketing. Has there been a big swing or big reduction in overall marketing effort in '18 versus '17, for example? Is that the reason behind the significant increase in margin EBITDA?

Neil Geoffrey Goulden ***JPJ Group plc - Executive Chairman***

Sorry, could you repeat the question?

Sreedhar Mahamkali ***Macquarie Research - Analyst***

Sorry. So the EBITDA margin, so they've gone up quite significantly in FY '18 versus '17. And I think earlier on in the prepared comments, you were talking about significantly improving marketing efficiencies in FY '18 being one of the drivers. Is that what is the main delta margin going up 400 basis points between '17 and '18. Is that the improved marketing? Or is there anything else?

Neil Geoffrey Goulden ***JPJ Group plc - Executive Chairman***

Yes. That's the primary driver is improved marketing, but also I'd say earlier (inaudible) moves up in the maturity curve and some more valuable for us.

Sreedhar Mahamkali ***Macquarie Research - Analyst***

Got you. And then the LTM December '18, again you've seen another step-on in margin. Is there any color you can help us there with?

Neil Geoffrey Goulden ***JPJ Group plc - Executive Chairman***

It's more of the same.

Sreedhar Mahamkali ***Macquarie Research - Analyst***

More of the same. Okay

Operator

The next question comes from the line of David Brohan from Goodbody.

David Brohan ***Goodbody Stockbrokers, Research Division - Analyst***

Just one question for me. Just wondering to what extent could Vera&John/Gamesys kind of platform (inaudible) with the platform (inaudible) in the future. And could we see a situation where the 2 platforms can emerge as [one] platform down the line? (inaudible)

Neil Geoffrey Goulden ***JPJ Group plc - Executive Chairman***

I don't think that you would merge them in totality. I think we'll look at what are the best functions of each platform and of course each -- and make sure that we can get learnings from the other. And as Keith mentioned earlier, if we get opportunities where the 2 platforms need to talk to each other, such as liquidity, we'll take those with open arms. But I don't imagine -- I think that V&J has some great qualities to it. It's an agile platform. It's more internationally focused, et cetera. Whereas the Gamesys platform, it's very robust, have very, very high transaction volumes and works in a very highly regulated market. So I think we'll take the best in both over time, but the truth is we've got a ways to go before we can look at exploiting those opportunities.

Operator

The next question comes from the line of [Terence Teh] from [Mutiny].

Unidentified Analyst

Congrats on the deal. Just one question for me. I read about the sort of like penalty of GBP 1.2 million [spelling] from the U.K. social responsibility and now failures that Gamesys had. And can you just comment on how you looked at deals for the Enlarged Group? Understand that there have been really proactive and timely improvements taken place. Are there any other like CapEx spends or causal link to this? And I guess in connection to this as well and given the very fast growth of Gamesys over the last 2 years, are there any potential headwinds or negative impacts on customer numbers by implementing more stringent AML or social responsibility, I guess, checks?

Lee Daniel Fenton ***Gamesys Limited - CEO and Director***

All right. So Lee, I'll take that. I don't know if Keith has got to say around CapEx when I finish. But listen, in general, regulatory compliance is and will remain our #1 objective and key to the business. And overall, I'm immensely proud of our track record and our operational capability in this regard. We absolutely invested hugely over the last 3 years. The U.K. GC sanction, which is 3 historic cases, where customers use stolen funds to fund gaming activity between '14 and '16, they were all proactively reported to the regulator at the time by us. And as I said, over the last 3 years, we've made huge investments in compliance, in social responsibility teams and bespoke tools, in our bank's training. Of course, some of the -- that's a most recent guidance by the U.K. GC, seeing some element of slowdown across the sector, particularly asking for source of funds and source of funds verification of the larger players. That has also impacted Gamesys, and we've seen some of that impact through 2019, and that has slowed down some of that earlier growth curve. It's how you deal with those things, and we're getting better at doing that all of the time. It's wrapped up in all kinds of privacy issues that players have and things such as that, but we're working hard and getting better at it all the time. And we believe that the outlook for the rest of 2019 is very solid, but the growth has slowed from '18.

Neil Geoffrey Goulden ***JPJ Group plc - Executive Chairman***

And if I can just jump in, it's Neil here, on that one. Also to say that, firstly, just to confer to people we have been well aware of the issues that were reported with the U.K. GC yesterday and have discussed those at length with our colleagues at Gamesys. We, from a JPJ point of view, are mightily impressed with the work that Gamesys have done in this area, both for our own platform and whether doing other works. So we think they are one of the attractions of this. We think they are real leaders in this area, which is so important of responsible gambling. And if you -- those of you who have been on the calls before will remember that we've said the 3 kind of core values of JPJ is putting the customer at the heart of everything we do, being a great place to work and encouraging, actively encouraging our customers to gamble responsibly. So there's a real meeting of the minds between the 2 groups, so we're very impressed with the work Gamesys is doing, and we can build on that in our own organization.

Unidentified Analyst

Perfect. And any guidance on CapEx spend or anything that you guys need to implement to improve the system? Or is everything up and ready to run already and nothing else to...

Keith Laslop ***JPJ Group plc - CFO & Director***

So it's all been done over the last couple of years, so U.K. GC '14 to '16. So the improvements have already been made.

Operator

The next question comes from the line of Richard Stuber from Numis.

Richard Paul Stuber ***Numis Securities Limited, Research Division - Analyst***

Just a couple for me, please. The first one is on sort of the international opportunities. Which markets do you see -- which ones would (inaudible) would do well? And the second question is I know you haven't completed this deal. But from Q3, Q4 onwards, are there any other sort of M&A areas that you'd be so keen to do? Or are you happy for everything you need now?

Keith Laslop ***JPJ Group plc - CFO & Director***

Well, I think on the first one, moving Virgin and Hasbro to new markets, we're very -- we're quite focused on completing this deal first, and then we'd be discussing. So no discussions have been -- have taken place on that. But that's definitely an area that I think, especially with Vera&John, a number of countries around the world. And the second...

Richard Paul Stuber ***Numis Securities Limited, Research Division - Analyst***

M&A.

Keith Laslop ***JPJ Group plc - CFO & Director***

M&A. Richard, my god, so I think we are where we want to be. I would actually quite like to, again, prove to shareholders that we can delever quite quickly and get below 2.5x again. So I think that will be our foremost focus.

Neil Geoffrey Goulden ***JPJ Group plc - Executive Chairman***

That's a difficult question to ask 3 people who haven't been to bed for 2 nights.

Operator

There is another question coming from the line of Sreedhar Mahamkali.

Sreedhar Mahamkali ***Macquarie Research - Analyst***

Sorry; just one quick question which I forgot to ask earlier. Integration costs, how much are they? Or how should we be thinking about it, please? That's all.

Keith Laslop ***JPJ Group plc - CFO & Director***

Well, you can think of these businesses -- I think Neil put it well before, when it's more of a jigsaw versus 2 businesses. Again, this isn't a synergy story which is why we talk about cost savings and may relate to costs that we would not -- well, we don't have to incur because we're not doing internalization. So the integration on that side is really easy. In terms of the U.K. in London, we have all of 15 people in London ourselves. I mean how many people do you guys have in London?

Lee Daniel Fenton ***Gamesys Limited - CEO and Director***

Almost 700.

Keith Laslop ***JPJ Group plc - CFO & Director***

Yes. So that integration is pretty simple. We're moving into...

Operator

We have no further questions in the queue, so I will turn the call back to your host.

Neil Geoffrey Goulden ***JPJ Group plc - Executive Chairman***

Thank you very much. Thank you, everyone, for joining today's call. It's a -- we believe that this is -- I think as Lee said, we believe this isn't like the end of the story. This is actually a new chapter, and this is the beginning of a very exciting story. We've got a few couple of months of work to get the reorganization and the various consents in place. There's nothing there that should challenge us, but it will take a bit of time. I mean thereafter, we -- to confirm, we really believe that this merger gives a platform for global growth. It brings together a top-class executive team. We've known each other for years. It avoids a destructive internalization process. The business will be significantly -- have significant free cash flows. It will deleverage very fast. We've given some indications where we see that going, but we will deleverage very fast. We have a leading brand portfolio, and we have significant scale and liquidity in a consolidating market. And all of those things, we think, have positioned us very well in the U.K., which is -- which we're very -- by the way, we're very positive and optimistic about the U.K. market. It is still the biggest regulated online gaming market in the world at this stage, so we're very positive about the U.K., but we're equally positive about global expansion.

So we thank you all for joining the call. We will be putting together a roadshow to see both analysts and investors. And Lee, together with Keith and I, will be putting things together probably in a week or so start to come out. So at this stage, I just thank you all very much. And if you have any follow-up questions, please, just contact Jason, who can answer them for you. Thank you.

Operator

Thank you for joining today's call. You may now disconnect your handsets. Hosts, please stay on the line.