



Eilers&Krejcik
Gaming

U.S. Sports Betting Monitor | October 2018

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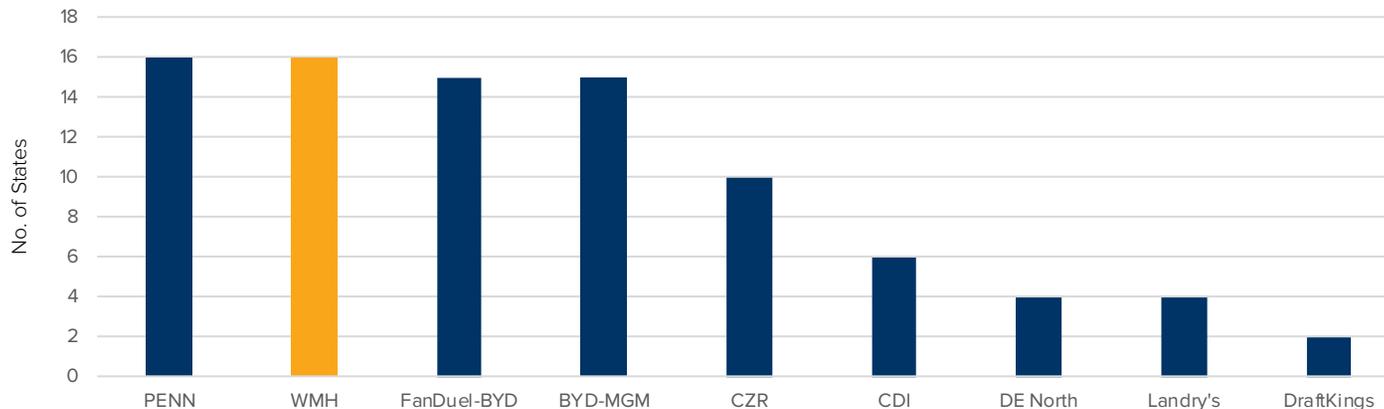


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Chart Of The Month | Market Access By Brand (Select)

Source: Eilers & Krejcik Gaming LLC



Note: PENN, BYD-MGM, CZR, CDI, DE North, Landry's figures only cover states in which those entities operate commercial casinos.

Did You Know

The race for U.S. sports betting market access is on. Penn National leads the way (access to 16 states), but William Hill is coming on strong. It has market-access deals with [El Dorado](#) and [Golden Entertainment](#), plus other partnerships, which give it access to a combined 16 states.

I. U.S. Sports Betting: Quick Takes (1/2)

Miscellaneous notes, chatter, and rumors related to the question of regulated sports betting in the U.S.

DRAFTKINGS HIRING IN NEVADA.

Weeks after launching in New Jersey, DraftKings has set up shop in Nevada with the [hiring of retail sports betting specialist Johnny Avello](#) (formerly executive director of sportsbook at Wynn Resorts) and the [posting of a handful of jobs](#) based in a yet-to-launch Las Vegas office. The hiring of Avello, in particular, suggests that DraftKings is considering more than a regional outpost in Nevada (we also wonder whether Avello's onboarding is intended to convince potential casino partners of DraftKings' sports betting bona fides). The move comes as DraftKings continues to seek par with FanDuel on the all-important issue of market access.

THE MESSAGE FROM WEST VIRGINIA ...

... appears to be simple: Obstruct the leagues at your own risk. While there are several explanations for the exodus at the West Virginia Lottery, the prevailing thought among industry observers is that several pro sports leagues leaned on the Governor's office to find a way around the legislature – and that way ran straight through the Lottery, necessitating the removal of those in the Lottery who might oppose it. If that is in fact the case, it signals that the leagues are OK with a no-holds-barred approach to winning at least some level of control over sports betting in first wave states. But the Lottery's decision this week to [reject key league asks](#) raises questions about the efficacy of such an approach. Meanwhile ...

... THE STATE WAITS FOR MOBILE.

Once pegged for an early NFL launch, it now appears that online sports betting in West Virginia is likely to happen closer to the end of the year. Based on channel checks, we'd pencil in a launch around late November, although it's plausible that the macro political issues could drive further delays.

THE CHALLENGE OF THE MIDDLE GROUND.

One subplot that will likely get far more attention as the sports betting legislative push heats back up is the awkward position occupied by DraftKings and FanDuel. The fantasy sports operators enjoy a close relationship with several professional sports stakeholders. DraftKings and FanDuel share lobbyists with professional sports on the national level and in states like West Virginia. Historically, fantasy sports interests and casino interests have been far more opposed than aligned. All of that adds up to a dynamic in which fantasy sports operators could be more friend than foe for sports leagues on the issue of sports betting – and where DraftKings and FanDuel could reap meaningful rewards for their support. But the two must also take care not to alienate the casino industry, which will likely be a gatekeeper for the sports betting market in several states.

I. U.S. Sports Betting: Quick Takes (2/2)

Miscellaneous notes, chatter, and rumors related to the question of regulated sports betting in the U.S.

WHO MIGHT END UP WITH A SKIN IN NEW JERSEY?

The interest list to operate an online sports betting brand in New Jersey grows apparently longer by the day. We've heard talk of a few Vegas casinos making inquiries, including Wynn. We've also heard that more than a few non-endemic companies are kicking the tires, including some major names from the worlds of sports media and tech. The one thing we know for sure: At this point, demand appears to be outpacing supply. That creates an interesting condition for states looking at the issue in 2019, especially major-population states like New York.

DEMAND FOR PENNSYLVANIA SPORTS BETTING LICENSURE, TEPID SO FAR, LIKELY TO INCREASE.

In the near future, we hear that demand for Pennsylvania sports betting licensure is likely to increase, despite the state's \$10mm license fee and 36% tax on sports betting GGR. We anticipate that Mt. Airy (partnered with The Stars Group for online sports betting), Presque Isle Downs (owned by Churchill Downs, which acquired the casino, in part, for access to the state's sports betting market), and Valley Forge (owned by Boyd Gaming, which has a market-access agreements with MGM and FanDuel for online sports betting and iGaming) will be among the next wave of license applicants.

We also believe that regional competition – from West Virginia, where land-based and online sports betting will soon be operational, and, prospectively, from Ohio – will force at least one casino in western Pennsylvania (namely, Rivers) to apply for sports betting licensure. Whether other casinos in western Pennsylvania – Meadows (operated by Penn-Pinnacle, which has already applied for Pennsylvania sports betting licensure via Hollywood Casino) and Nemaquin (owned by El Dorado, but operated by Churchill Downs) – will follow suit remains an open question.

LOTTERY LOBBYING.

Federal lobbying sources noted that at a recent Congressional subcommittee hearing on sports betting, major stakeholders – leagues, casinos and anti-gambling groups – were represented but that state lotteries were not. Lottery technology vendors, including Gtech (now part of IGT) and Scientific Games, have traditionally carried water for state lotteries on Capitol Hill. But with both businesses splitting their commercial focus between casino and lottery customers, we think lotteries – if Congress looks likely to move on sports betting policy – are likely to enlist the influential National Governors Association as their primary water carrier. The association was [last mobilized in 2017](#), when it urged the Trump Administration to leave policy decisions about iLottery and iGaming to state governments.

II. U.S. Sports Betting: Numbers To Notice

Significant digits from the wide world of U.S. sports betting.

22%

Percentage of New Jersey's total sports betting handle in August that was generated from online betting. That number comes despite a limited amount of online availability during the month; DraftKings was live for much of August, and was joined by SugarHouse and PlayMGM late in the month. Online sports betting accounted for 34% of revenue in August.

Source: Eilers & Krejcik Gaming LLC

\$5MM

Total amount of revenue the New Jersey Devils expect to realize from sports betting sponsorship deals during the 2018-19 NHL season. Team executives believe the revenue will come from a variety of deals with a variety of operators, as opposed to a blockbuster deal with a single operator. Team President Hugh Weber sees "sports betting as additive to the experience" of fans.

Source: [Bloomberg](#)

108

The minimum number of illegal online sports books taking wagers from U.S. residents, per research conducted by the New Jersey Division of Gaming Enforcement and its law enforcement partners. Illegal sportsbooks are "very good at what they do," said DGE Director David Rebeck in testimony before the New Jersey Assembly Tourism, Gaming and the Arts Committee.

Source: [LegalSportsReport.com](#)

25%

The percentage of West Virginian adults who are "somewhat likely" (15%) or "very likely" (7%) to bet on sports at regulated books in West Virginia. 57% said they are "not likely to bet at all," but poll designers warned that respondents were more likely to downplay, as opposed to exaggerate, their interest in betting.

Source: [MetroNews](#)

III. U.S. Sports Betting: News And Notes (1/2)

A roundup of key U.S. sports betting news developments.



NFL AD POLICY SOLIDIFIES ADVANTAGE FOR FANTASY SITES

In [reportedly updating their sports betting advertising policy](#), the NFL may have solidified an advantage for fantasy sports brands. Casinos picked up a small win in the change, with the NFL relaxing restrictions against casinos affiliated with a sportsbook.

The catch: Casinos can't directly advertise their sportsbook. That's a far less problematic restriction for fantasy sites like DraftKings and FanDuel, who are still free to promote fantasy products. The blurred line between fantasy and sports betting at both sites means that fantasy operators are likely to realize far more benefits from pro sports advertising than casinos.

CORE TRENDS

FANTASY VS. CASINOS

COLLISION BETWEEN BETTING AND PRO SPORTS



DID THE LEAGUES DROP THE HAMMER IN WEST VIRGINIA?

The NBA, MLB, and the PGA appear dead-set on wresting some level of control over sports betting in West Virginia. After being shut out of the legislative process, the leagues are now [looking to the rulemaking process](#) to achieve their policy goals.

If the leagues manage to secure wins through the rulemaking process, their efforts likely have been helped by the [sudden and unexplained departures](#) of multiple key officials from the West Virginia Lottery. The Lottery repeatedly resisted efforts by the leagues to alter the course of sports betting in the past; some see the forced staff turnover as a way to make the agency more pliant.

CORE TRENDS

COLLISION BETWEEN BETTING AND PRO SPORTS

LEAGUES LOBBYING FOR BETTING CONTROL



THE FOOTBALL LEAGUE BUILT FOR BETTING

The Alliance of American Football may well be the first professional sports league to be built for betting from the ground up. [Per reporting from ESPN](#), the league has been designed and structured with an eye to supporting and promoting wagering – including exclusive data intended to facilitate better pricing for in-game bets.

Investors in the AAF include the Chernin Group, who have placed a significant bet on regulated sports betting media, and MGM, who are said to be the “exclusive in-game gambling partner” of the AAF, although it's unclear how that exclusivity will be enforced.

CORE TRENDS

NON-ENDEMIC SPORTS BETTING COMPANIES

FINANCE / SPORTS CROSSOVER

III. U.S. Sports Betting: News And Notes (2/2)

A roundup of key U.S. sports betting news developments.



METRIC GAMING BANKS \$10MM FOR U.S. EXPANSION

Metric Gaming, a sports betting platform and data provider, has completed a \$10mm Series A with RDA Ventures as the lead. The funding is intended to support the company’s efforts to establish a foothold in the regulated U.S. market.

Metric is understood to have a partnership with a yet-to-launch New Jersey brand. The company is not otherwise active in the New Jersey or West Virginia markets.

CORE TRENDS

SUPPLIER WARS

SMALL VS. SCALE



NEVADA RESPONDING TO NEW BETTING LANDSCAPE

The Nevada Gaming Control Board is preparing to consider a string of changes to the regulations that currently govern sports betting in the state in the wake of the Supreme Court’s decision on PASPA.

A [recent workshop notice](#) from the GCB offered a laundry list of items up for consideration, including: Permitting interstate bets (given the green light from the feds and counterpart state), changing the requirement for a full social security number at signup, overhauling the system for dealing with bets on “other events” (events not defined as sporting contests), and a bevy of other changes with uncertain impact.

CORE TRENDS

NEVADA FACING COMPETITION

REGULATORY CHANGE



PERFORM’S SPORTS BETTING SERVICES ON THE BLOCK?

The [decision by Perform Group](#) to split its existing business into two halves – a consumer-facing streaming business and a collection of betting-focused services – is driving speculation that the betting arm may be being prepped for a sale.

Per reporting and source commentary, the consumer-facing streaming business – rebranded as DAZN – is considered by Perform to be the superior asset from a growth perspective. That dynamic, along with the rapidly-heating market for sports betting-related assets, makes the sports betting business – Perform Content – a logical candidate for divestiture.

CORE TRENDS

MERGERS & ACQUISITIONS

IV. Analysis: Takeaways From The Federal Sports Betting Hearing

Source: Eilers & Krejcik Gaming LLC

CAPITOL HILL GOES POST-PASPA FOR THE VERY FIRST TIME. The House Judiciary Committee’s subcommittee on Crime, Terrorism and Homeland Security on September 27 conducted an informational hearing on sports betting titled “[Post-PASPA: An Examination Of Sports Betting In America.](#)” Below, we’ve provided three key takeaways from the hearing.

HEARING DOES NOT SIGNAL IMMINENT ACTION. Federal lobbying sources agreed that the hearing is unlikely to result in the immediate development of sports betting policy or to serve as a marker for the development of any future such policy. The prevailing view was that the hearing was a one-off meant to appease certain special interests – the professional sports leagues and the Sheldon Adelson-funded Coalition to Stop Internet Gambling (CSIG), for example – that have been aggressively lobbying sports betting or iGaming issues in recent months.

STONE OF HEARING SUGGESTS CASINOS HAVE WORK TO DO. Lobbying sources noted that subcommittee members appeared to be aligned more with the leagues (Democrats) and anti-gambling / anti-iGaming interests (Republicans) than with the commercial casino industry. In light of that, we anticipate the casino industry to ramp up member-education efforts, particularly if the Democrats – which are seen as more likely to engage on sports betting policy than their Republican counterparts – regain control of the House after the midterm elections this fall.

POTENTIAL INCOMING CHAIR OF JUDICIARY TIPS HIS HAND. SORT OF. Lobbying sources noted that Rep. Jerrold Nadler of New York, a Democrat who is in line to replace the Judiciary Committee’s outgoing Republican chairman if the Democrats win this fall, appeared to dismiss the idea of a federal sports betting prohibition out of hand. During his opening remarks, Nadler said: “We cannot simply prevent sports betting by enacting laws to prohibit it and pretend that it will go away.” Nadler, however, did not say whether he thought some sort of federal regulatory framework for sports betting was necessary. If the Democrats win this fall and Nadler becomes chair of the Judiciary Committee, we anticipate he will be lobbied heavily – both by the leagues (which support federal regulation) and by the commercial casino industry (which opposes it) – given that any future House sports betting bill is likely to originate in the Judiciary Committee.

Who Testified At The Hearing?

Joceyln Moore

Executive VP @ NFL

[Testimony](#)

Sara Slane

Senior VP @ AGA

[Testimony](#)

Becky Harris

Chair @ NV Gaming Control Board

[Testimony](#)

Les Bernal

Director @ Stop Predatory Gambling

[Testimony](#)

Jon Bruning

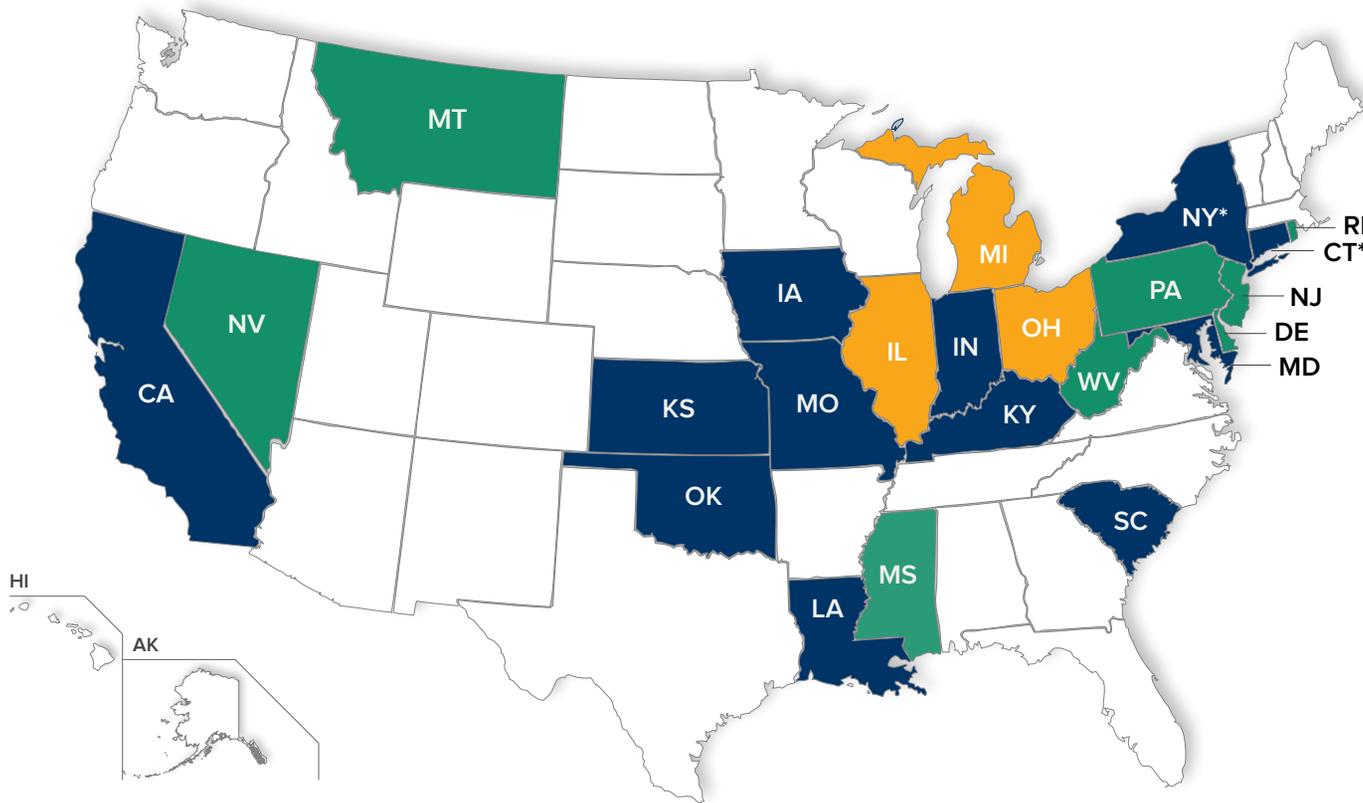
Counselor @ CSIG

[Testimony](#)

V. Sports Betting Legislative Landscape: Map

● Sports Betting Authorized ● Enabling / Other Bill(s) Pending ● Enabling Bill(s) Died / Defeated In 2018

Source: Eilers & Krejcik Gaming LLC / State Governments / Ballotpedia.org



* NY failed to pass a bill in 2018, but existing authorization (2013) would allow sports betting at the state's four resort casinos
 ** CT passed a sports betting bill but still requires enabling legislation.

Distribution Channel Snapshot

State	Land	Online
DE	●	
MS	●	
MT	●	
NV	●	●
NJ	●	●
NY	●	
PA	●	●
RI	●	
WV	●	●
IL	●	●
MI	●	●
OH	Shell Bill	
CA	Constitutional Amendment	
CT	●	●
IN	●	●
IA	●	●
KS	●	●
KY	●	
LA	●	
MD	●	
MO	●	●
NY	●	●
OK	●	
SC	Constitutional Amendment	

15

No. of online sports betting skins allowed under WV regs.

6

No. of [veto session days](#) the IL legislature will have to legalize sports betting.

6.25%

% of GGR that operators would've had to pay as a tax under a defeated MO bill.

3

No. of commercial casinos eligible to operate online sports betting under a MI bill.

\$5k

Cost of a sports betting operator license under MS law.

V. Sports Betting Legislative Landscape: Operational States

A snapshot of key sports betting provisions in operational states.

Source: Eilers & Krejcik Gaming LLC / State Legislatures & Regulators

	Nevada	Delaware	New Jersey	Mississippi	West Virginia	New York	Pennsylvania	Rhode Island
Went Live In	1931 and 1975	2009 and 2018	2018	2018	2018	TBD	TBD	TBD
Land-Based	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Online	Yes	No	Yes	No	Yes	No	Yes	No
Online Skins / # Skins per License	No	N/A	Yes / 3	N/A	Yes / 3	N/A	Yes / 1	N/A
Non-Endemic Online Skin(s)	No	N/A	Yes	N/A	Yes	N/A	Yes*	N/A
In-Person Sign-Up for Online	Yes	N/A	No	N/A	No	N/A	No	N/A
Who Operates	NV Sports Pools	DE Lottery via DE Casinos, Lottery Retailers	NJ Casinos, Racetracks	MS Casinos	WV Casinos	NY Resort Casinos	PA Casinos	RI Lottery via RI Casinos
Who Regulates	NGCB, NCCC	DE Lottery	NJDGE, NJRC	MSGC	WVLC	NYSGC	PGCB	RI Lottery
Effective Tax Rate	6.75% GGR	59.9% GGR	9.75% GGR or 14.25% GGR**	11% - 12% GGR	10% GGR	10% GGR	36% GGR	51% GGR
Operator License Fee	\$500	N/A	\$100k	\$5k	\$100k	N/A	\$10mm	N/A
Supplier License Fee	\$500 - \$2k	\$4k	\$5k	\$1.5k	\$1k	N/A	\$10k - \$50k	\$750
Integrity Fee	No	No	No	No	No	No	No	No
League / Team Oversight on Bets	Yes	No	No	No	No	No	No	No
Official League Data	No	No	No	No	No	No	No	No
Limit / Ban on College Sports Bets	No	Yes	Yes	No	No	Yes	No	Yes
Limit / Ban on Esports Bets	No	No	No	No	No	No	No	No
Post Wire Act Provisions***	No	No	Yes	No	Yes	No	Yes	No
Sports Betting Law	Here	Here	Here	Here	Here	Here	Here	Here
Sports Betting Regs	Here	Here	Here	Here	Here	Forthcoming	Here	Forthcoming

* See [PA regs](#). Our initial read is that a PA casino would appear to be able to launch a skin featuring a non-endemic brand, so long as the PA casino's own brand is "clearly and prominently" displayed on that skin

** Under NJ law, land-based sports betting is taxed at 9.75% GGR and online sports betting is taxed at 14.25% GGR

*** By "post wire act provisions," we mean provisions that would, among others, allow states to enter into cross-border betting agreements with other states

V. Sports Betting Legislative Landscape: Pending States

The table below captures key features of active bills. Companion bills are not listed.

IF = Integrity Fee (handle unless o/w noted) **DC** = League Data Control **TR** = Tax Rate (GGR unless o/w noted) **OB** = League Oversight on Bets

State	Bill No.	IF	DC	TR	OB	Notes
IL	S 3432	1%	Yes	12.5%	Yes	Authorizes IL casinos to operate. Early NBA-MLB model bill.
	H 4214	N/A	N/A	N/A	N/A	Shell bill intro'd by Rep. Lou Lang, state's former sports betting policy point man.
MI	H 4926	No	No	8%	No	Authorizes MI casinos to operate. Online, only. Passed MI House in June 2018.
OH	S 316	N/A	N/A	N/A	N/A	Shell bills. Express intent of legislature to legalize sports betting.
	H 714	N/A	N/A	N/A	N/A	

Near-Term Legislative Outlook: Pending States

Illinois (NEUTRAL). Illinois sources unclear on whether Rep. Bob Rita, state's gaming policy point man, will move on sports betting during the November veto session. Rita set to conduct subcommittee hearing on sports betting, DFS and iGaming [on October 17](#) in effort to build consensus on those issues ahead of veto session, which begins on November 13. Rita's plans for gambling expansion – if any – expected to come into focus shortly after that hearing.

Michigan (NEUTRAL). Michigan sources lukewarm on prospects for H 4926 during lame duck session late this year. Outgoing Governor Rick Snyder – as ever – wary of any expansion of gambling that could jeopardize revenue-sharing between gaming tribes and state. If GOP caucus loses hold on the legislature and / or governor's office after November elections, GOP legislative leaders, during lame duck, likely to move on the party's priority policies – and sports betting not understood to be among those.

Ohio (LEAN NEGATIVE). Ohio sources doubtful sports betting legislation will be enacted late this year. Stakeholder discussions on core policy questions (e.g., licensing eligibility, distribution models, etc.) are in their early stages, and separate question regarding whether a constitutional amendment / referendum would be required for sports betting – in addition to enabling legislation – remains unanswered. Legislature will remain in session through the end of the year, but only for a handful of days.

Other States. As of this report, we do not anticipate legislative action in other states before calendar yearend.

V. Sports Betting Legislative Landscape: Federal Policy Monitor (1/3)

Opinions, chatter, and data related to federal sports betting policy development.

NEAR-TERM PROSPECTS FOR FEDERAL REGULATORY LEGISLATION POOR. We are doubtful that [the NFL](#), and [allies including the NCAA](#) and [the NBA-MLB-PGA trio](#), will be able drum up a critical mass of support for federal regulatory legislation before the 115th Congress adjourns later this year. Outgoing Republican Sen. Orrin Hatch of Utah – who has said [he intends to introduce such legislation](#) – appears to be a lame-duck; it is a mid-term election year; there is little time left for policy debate on sports wagering and regular-order process; the macro-political climate is hyperpartisan; and lawmakers – including the leagues’ new ally, [Democratic Senate Minority Leader Chuck Schumer](#) – inarguably have bigger fish to fry, namely, the issues surrounding the ongoing special counsel investigation into Russian interference in the 2016 elections. We believe those factors are conspiring to create a legislative environment in which easy stuff is hard, and hard stuff – the enactment of a sports betting regulatory bill, for example – is nearly impossible.

ASKING TRUMP ADMINISTRATION FOR WIRE ACT CLARITY A RISKY PROPOSITION. In our view, U.S. sports betting stakeholders are unlikely to seek an advisory opinion from the U.S. Department of Justice (DOJ) on whether the Wire Act would apply to electronic sports bets that are initiated and received in a state where sports betting is legal, but that are intermediately routed outside of that state. Although a positive DOJ opinion could resolve the question of whether intermediate routing, as just described, comports with the Wire Act, a negative opinion could further complicate or even cripple the country’s nascent online sports betting market. Notably, the DOJ has not enforced against intermediate routing in Nevada, where a form of legal, online sports wagering has been in operation since 2010. And based on that precedent, we assume the DOJ is unlikely to enforce against intermediate routing in New Jersey, Pennsylvania and West Virginia, where online sports betting has recently gone, or will soon go, live. If that assumption holds, we think U.S. sports betting stakeholders, rather than risk a negative DOJ opinion, will happily settle for a status quo in which 1) the DOJ continues to refrain from wielding the Wire Act against legal, online sports betting; 2) states continue to launch intrastate online sports betting; and 3) Congress begins to inch – in earnest – toward a potential Wire Act fix.

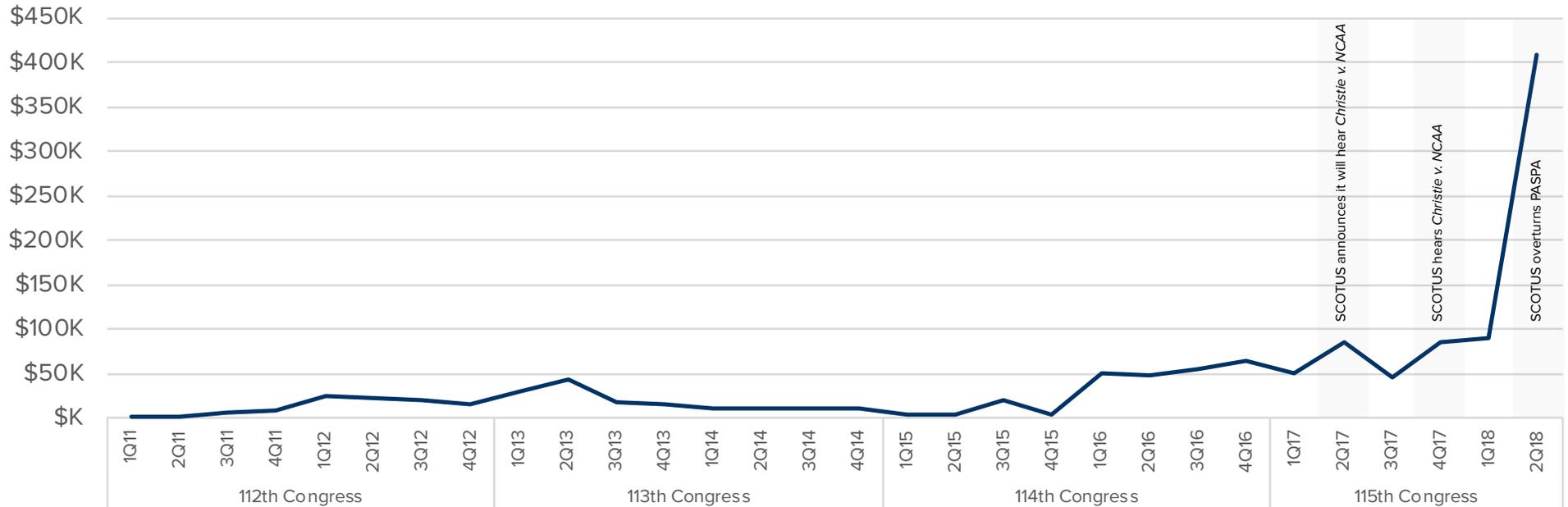
MID-TERM MIXER. Republican Rep. Bob Goodlatte of Virginia, a long-time opponent of gambling, will retire after the 115th Congress adjourns in January 2019. Goodlatte is currently chairman of the powerful House Judiciary Committee, which could play a key role in developing future sports betting legislation. We hear Democratic Rep. Jerrold Nadler of New York, [whose views on federal sports betting policy development are ... TBD](#), is likely to chair the Judiciary Committee if the Dems regain control of the House this fall.

V. Sports Betting Legislative Landscape: Federal Policy Monitor (2/3)

Opinions, chatter, and data related to federal sports betting policy development.

Source: Eilers & Krejcik Gaming LLC / Federal Lobbying Disclosure Act Database

Est. Federal Lobbying Expenditures On Sports Betting*



*Our figures, which are intended to ballpark quarterly federal lobbying outlay on sports betting, should be treated as a low-to-medium confidence estimate. 3Q18 lobbying data will be released in late October.

SCOTUS DRIVES SPIKE IN SPEND

The increase in 2Q18 lobbying expenditures was clearly driven by the May 2018 SCOTUS decision that struck down PASPA. That ruling prompted a number of influential stakeholders to begin / resume reporting expenditures related to sports betting. Notably, Caesars, MGM, the NCAA and the NFL collectively accounted for nearly three-quarters of total 2Q18 lobbying spend, according to our estimates.

WHITHER WIRE ACT FIX?

Legislation that would amend the Wire Act to allow for the transmission of electronic sports bets between two states where sports betting is legal is not understood to be in development. With little time left in the current, rancorous congressional session, federal lobbying sources anticipate that in-earnest talks on a potential Wire Act fix are unlikely to begin until 2019.

4Q18 OUTLOOK

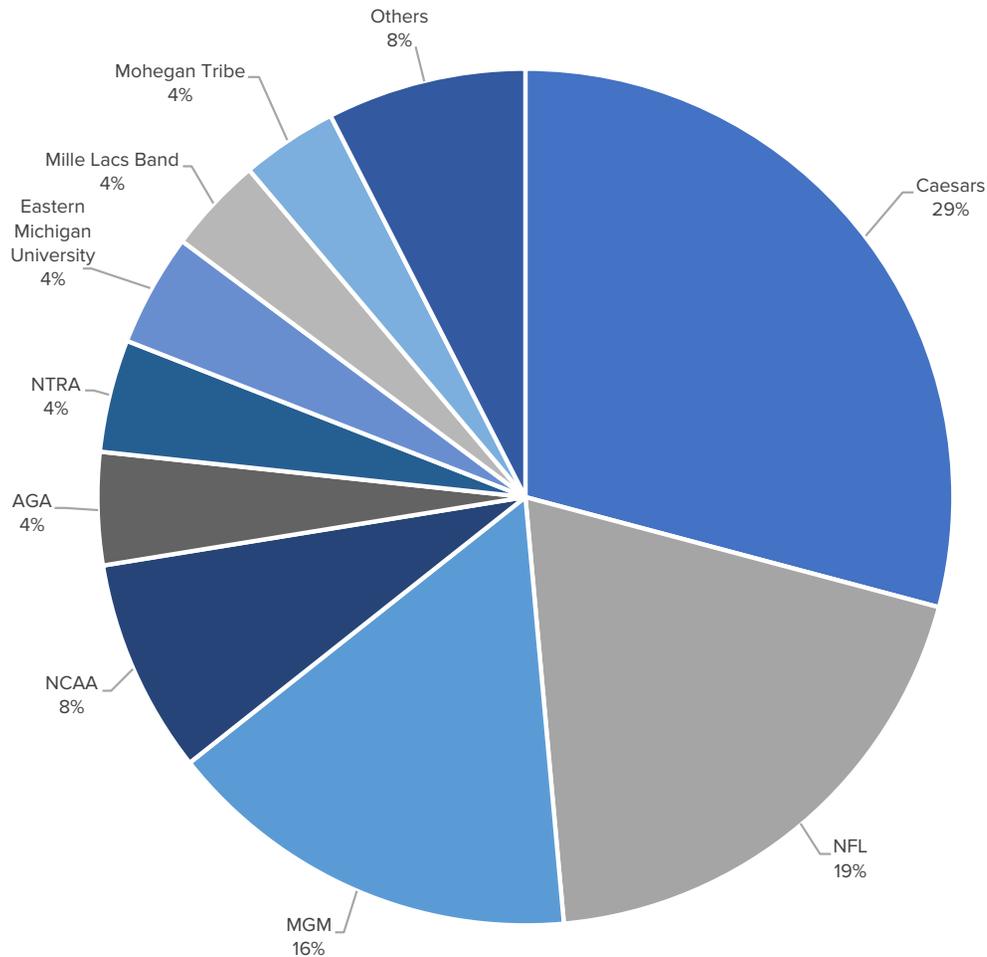
Additional informational hearings on sports betting are not anticipated in 4Q18, according to source commentary, nor is the development / enactment of a consensus sports betting regulatory bill.

V. Sports Betting Legislative Landscape: Federal Policy Monitor (3/3)

Opinions, chatter, and data related to federal sports betting policy development.

Source: Eilers & Krejcik Gaming LLC / Lobbying Disclosure Act Database

Distribution Of Est. Federal Lobbying Expenditures On Sports Betting Q2 2018



Entity	HQ	Est. Expenditures
Caesars	NV	\$120,000
NFL	NY	\$80,000
MGM	NV	\$65,000
NCAA	IN	\$33,333
AGA	DC	\$17,500
NTRA	KY	\$17,500
Eastern Michigan Univ.	MI	\$17,500
Mille Lacs Band	MN	\$15,000
Mohegan Tribe	CT	\$15,000
Commerce Casino	CA	\$7,500
Hawaiian Gardens	CA	\$7,500
Bicycle Club	CA	\$7,500
Peppermill Casino	NV	\$2,500
Chickasaw Nation	OK	\$2,333
NIGA	DC	\$2,222
State of Nevada	NV	\$1,428
Est. Total	N/A	\$411,816

VI. Regulated Sports Betting Outlook: Assumptions

On the next slide, we provide our outlook for the five waves of U.S. sports betting regulation in a post-PASPA world.

OUR ASSUMPTIONS INCLUDE:

1. Leagues and gambling interests reach some sort of agreement that allows them to move forward in unison.
2. Tribal gaming interests reach a deeper and broader level of comfort with sports betting.
3. Tax rates / license fees stay within the 10% to 20% / sub \$3mm range.

SOME PLAUSIBLE TAILWINDS THAT COULD ACCELERATE THE PROCESS INCLUDE:

1. A rapid, overwhelmingly successful (in revenue terms) sports betting launch in New Jersey.
2. The removal of any lingering questions raised by the Wire Act.
3. Advocacy from the NFL.

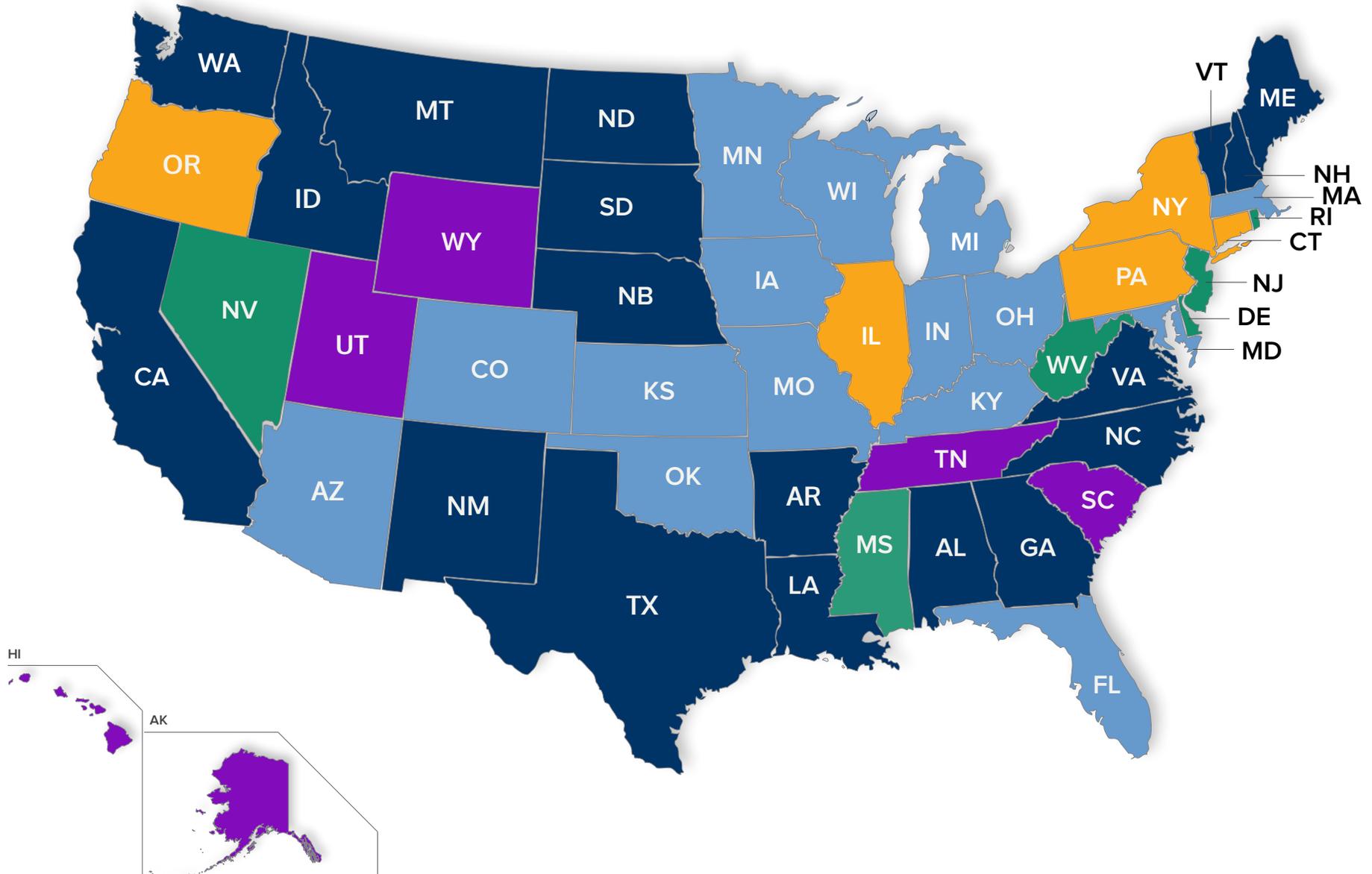
SOME PLAUSIBLE HEADWINDS THAT COULD SLOW THE PROCESS INCLUDE:

1. Any sort of federal intervention.
2. Lingering questions raised by the Wire Act.
3. Court challenges over player data rights.
4. Legal challenges from the NCAA or other college sports interests.
5. Regulatory inflexibility (e.g., unwillingness to accommodate non-endemic stakeholders like media companies, inefficient regulations for online sports betting, regulations that limit iterative products).

VI. Regulated Sports Betting Outlook: Map

● Live in 2018 ● Live in 2019-2020 ● Live in 2021-2022 ● Live after 2022 ● Unlikely to Authorize

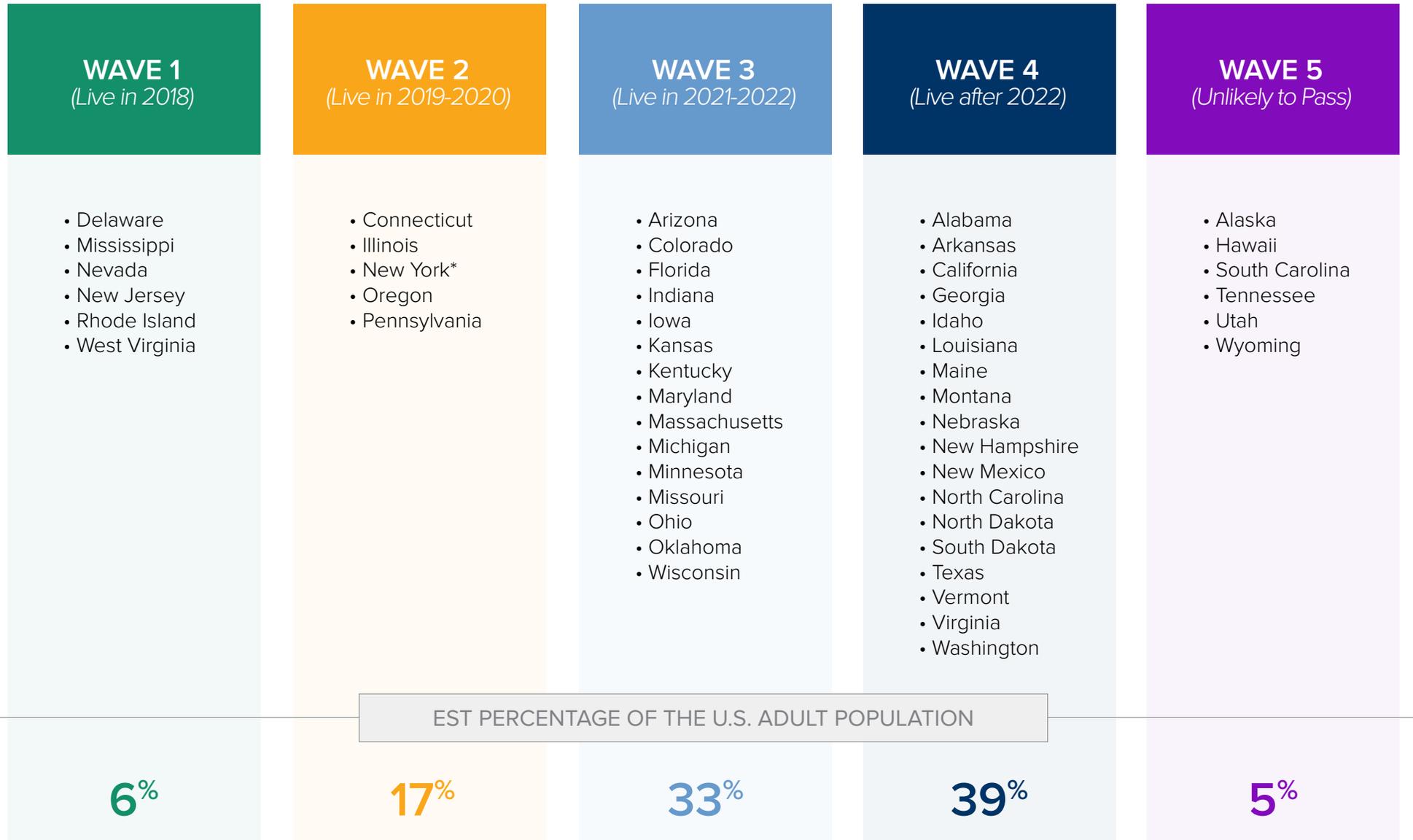
Source: Eilers & Krejcik Gaming LLC



VI. Regulated Sports Betting Outlook: Breakdown

A state-by-state breakout.

Source: Eilers & Krejcik Gaming LLC



* Could move forward with limited sports betting now without a new bill.

VI. Regulated Sports Betting Outlook: Fulcrums

Below are the three fulcrums we believe are most critical for advancement of regulated sports betting in the U.S.

1/ A DEAL BETWEEN LEAGUES AND GAMBLING STAKEHOLDERS: The leagues and gambling stakeholders each have the power to dramatically slow – if not stop – the legislative process for sports betting in any given state. Right now, the two sides appear far apart on several pro league asks: integrity / rights fees, a data monopoly, and the right to veto bets on certain games or specific kinds of bets. We believe the leagues – despite the MGM-NBA deal – will continue to make good on their threat to actively oppose bills that do not meet those asks (at least in part). We further believe that casinos would rather have no sports betting than sports betting that adheres to the conditions of the league’s model legislation.

2/ A CLEAR PATH FOR TRIBAL GAMING: Broadly speaking, tribes have any number of issues with regulated sports betting. Many are not on board with mobile, or remain concerned about how mobile-based sports betting might intersect with IGRA. Many are wary of states using sports betting as a way to erode tribal exclusivity, or to reopen lucrative gaming compacts for renegotiation. In a number of major markets, primarily to the west of the Mississippi, tribes are a or the dominant gambling stakeholder. Without a clear path toward sports betting policy that resolves their concerns and offers a compelling financial opportunity, it’s difficult to see why tribes would let sports betting through.

3/ REALISTIC TAX / REGULATORY APPROACH: The four states that have passed sports betting bills in the last year – Pennsylvania, West Virginia, New Jersey and Rhode Island – have taken disparate approaches to taxation and license fees. West Virginia and New Jersey have established tax-and-fee requirements and accompanying regulatory guidelines that we think are proportional to market realities in those states, while Pennsylvania and Rhode Island have tacked – hard – in the opposite direction. High costs or cumbersome regulations will both stall legislative momentum and undercut the ability of regulated markets to operate to maximum potential, which may have the knock-on effect of siphoning off interest in legalization in other states.

VI. Regulated Sports Betting Outlook: Key Policy Questions

Below are the three pivotal policy questions that will shape the contours of the U.S. market for regulated sports betting.

1/ MOBILE AVAILABILITY: We do not expect states to reach a clear consensus on the question of mobile / internet sports betting (as opposed to wagering only available on the property of a sports betting license holder or at authorized retail outlets). The leagues who are active on the subject (NBA / MLB / PGA) clearly support mobile wagering. Gambling stakeholders are split on the issue. Online gambling has traditionally been a touchy subject for policy makers. The support of the leagues may make the difference on this one. But we could easily see a world where several states launch land-based sports betting only, at least initially.

2/ RETAIL AVAILABILITY: Conventional wisdom holds that land-based sports betting will only be available at casinos and racetracks. We think the ultimate picture could be more robust. If lotteries get in on the action, their broad network of retail partners could suddenly become mini-sportsbooks. The expansion of slots beyond casinos and into “routes” that encompass restaurants and various retail outlets provides a template for broader land-based sports betting availability. Finally, the OTB model employed for decades by horse racing raises the question of whether we’ll see similar physical outlets for sports betting.

3/ LICENSE AVAILABILITY: Who will be able to apply for key licenses? Again, conventional wisdom suggests one answer – current land-based license holders – but we wonder if it will be that simple. We note that Pennsylvania recently opened the door for non-endemic stakeholders to apply for satellite casino licenses and online casino licenses. There’s also the related question of how much flexibility key license holders will have in their ability to sub-lease their licenses to partner brands (as NJ allows with regulated online casino and poker).

VII. State In Focus: Maryland

A closer look at select emerging U.S. sports betting jurisdictions.

Source: Eilers & Krejcik Gaming LLC

Legislative Outlook

DIFFICULTY RATING (1-5, 5 being highest): 3

Maryland is the fifteenth-largest state in terms of potential sports betting market size, according to our projections. Note that our projections only capture in-state play, and do not account for out-of-state play.

Maryland abounds with gambling options. Commercial casinos, a state lottery, pari-mutuel wagering on horse racing, charitable gaming and sweepstakes contests are all permitted in the state. Daily fantasy sports contests are also permitted.

Maryland's recent history with gambling expansion suggests that sports betting authorization is very likely a matter of when, not if. For starters, Maryland was among the first states both to legalize fantasy sports and to regulate DFS. Further, state voters – [by a 59-41 margin](#) – approved casino gaming in 2008, and the legislature subsequently expanded such gaming in 2012.

There also appears to be strong, industry-level support for sports betting authorization in Maryland. All six of the state's casino operators – Caesars, Penn National, MGM, Churchill Downs, Cordish Companies and Golden Entertainment – are already operating sports betting in other states, or have announced plans to do so, or have expressed interest in doing so.

Sports betting legislative activity this year strongly suggests that sports betting will be back in play during the state's 2019 session, which begins in January. In March, [H 1014](#) – a bill that would have put the question of whether to allow casinos and racetracks to offer sports betting to a public vote – [was widely approved by the House](#). That bill, however, subsequently died in the Senate.

If pressed to speculate: passage of referendum legislation in 2019 or 2020; successful referendum in 2020; passage of implementing legislation in 2021; and go-live in 2021 or 2022.

MARKET OUTLOOK

\$166mm

A. Estimated annual revenue if sports betting is limited to land-based outlets (modeled on Nevada's land-based locals sports betting market).

\$211mm

B. Estimated annual revenue from land-based and restricted online sports betting (modeled on Nevada's locals land-based + Nevada's locals online betting market).

\$333mm

C. Estimated annual revenue from land-based and full online sports betting (modeled on Nevada's locals land-based + UK's online betting market).

\$166mm - \$333mm

TOTAL MARKET RANGE

**Estimates reflect in-state betting market only (i.e., locals market)*

VIII. New Jersey Sports Betting: Data (1/3)

Monthly stats from the New Jersey sports betting market.

Source: Eilers & Krejcik Gaming LLC / New Jersey Division of Gaming Enforcement

AUGUST RESULTS. Overall, revenue (\$9.2mm / +140% m/m) was – as expected – up dramatically from July thanks largely to the introduction of mobile sports betting and the continued expansion of retail betting options in the New Jersey market.

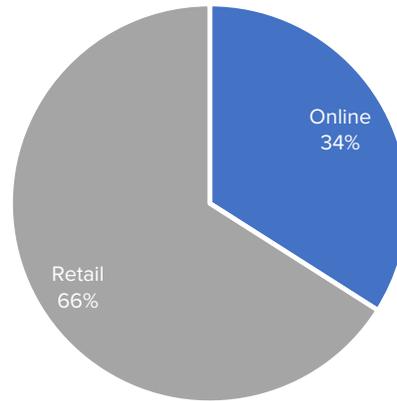
	August 2018	July 2018 (Same Days)	Diff. M/M
Bally's B&M	\$267,796	\$17,788	1405.49%
Bally's Online	\$ -	\$ -	N/A
Bally's Total	\$267,796	\$17,788	1405.49%
Borgata B&M	\$805,526	\$562,830	43.12%
Borgata Online	\$49,626	\$ -	N/A
Borgata Total	\$855,152	\$562,830	51.94%
Golden Nugget B&M	\$111,785	\$ -	N/A
Golden Nugget Online	\$103,324	\$ -	N/A
Golden Nugget Total	\$215,109	\$ -	N/A
Harrah's B&M	\$298,521	\$ -	N/A
Harrah's Online	\$ -	\$ -	N/A
Harrah's Total	\$298,521	\$ -	N/A
Ocean Resort B&M	\$519,563	\$1,036,766	-49.89%
Ocean Resort Online	\$ -	\$ -	N/A
Ocean Resort Total	\$519,563	\$1,036,766	-49.89%
Resorts B&M	\$98,087	\$ -	N/A
Resorts Online	\$2,970,331	\$ -	N/A
Resorts Total	\$3,068,418	\$ -	N/A
New Meadowlands B&M	\$3,060,367	\$1,357,477	125.45%
New Meadowlands Online	\$ -	\$ -	N/A
New Meadowlands Total	\$3,060,367	\$1,357,477	125.45%
Monmouth Park B&M	\$898,017	\$856,280	4.87%
Monmouth Park Online	\$ -	\$ -	N/A
Monmouth Park Total	\$898,017	\$856,280	4.87%
Total B&M	\$6,059,662	\$3,831,141	58.17%
Total Online	\$3,123,281	\$ -	N/A
Total Overall	\$9,182,943	\$3,831,141	139.69%

VIII. New Jersey Sports Betting: Data (2/3)

Monthly stats from the New Jersey sports betting market.

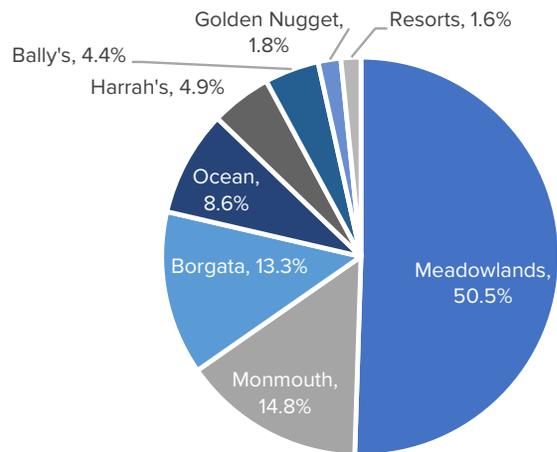
Source: Eilers & Krejcik Gaming LLC / New Jersey Division of Gaming Enforcement

August 2018: Online / Retail Revenue Split



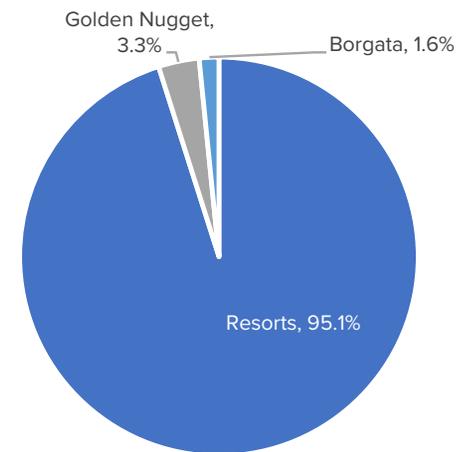
As the market matures, we anticipate that the online / retail revenue split will skew heavily toward mobile and eventually settle at 75 / 25.

August 2018: Retail Market Shares



Meadowlands was the clear winner in August. Given its proximity to the densely-populated NYC metro area, we anticipate Meadowlands will remain atop the monthly retail market share standings.

August 2018: Online Market Shares



Resorts (DraftKings) clearly benefitted from having the online market largely to itself in August. With eight online sportsbooks now live, we expect it will give back some market share in September.

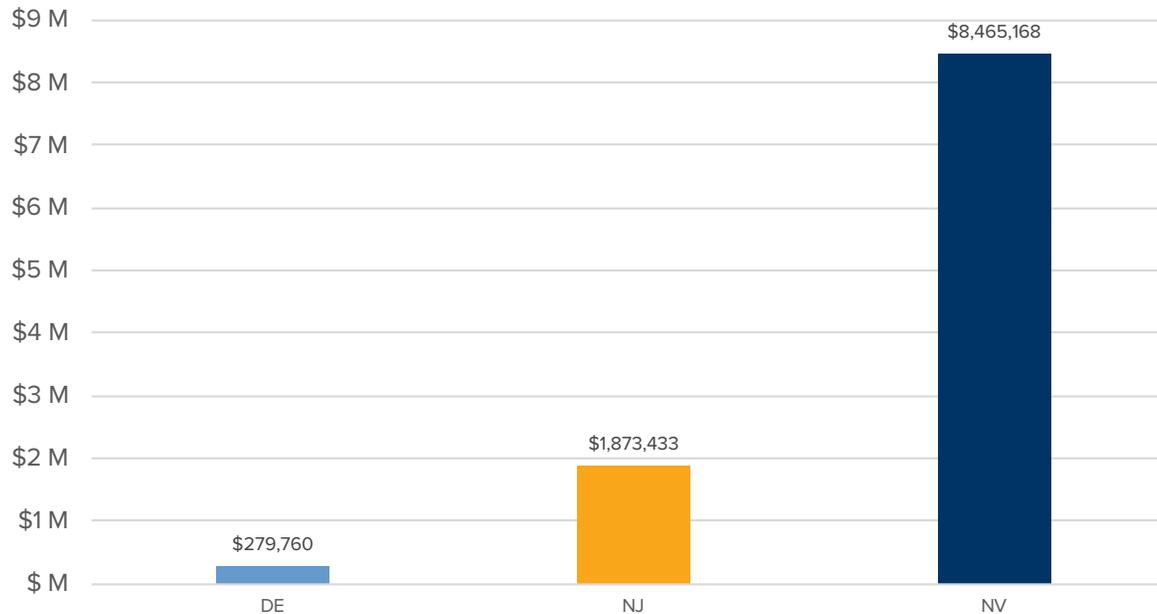
VIII. New Jersey Sports Betting: Data (3/3)

Monthly stats from the New Jersey sports betting market.

Source: Eilers & Krejcik Gaming LLC / State Gaming Regulators

MACRO TAKEAWAYS. The New Jersey market, boosted by the addition of online sports betting, already appears to be dramatically outperforming the retail market in neighboring Delaware. For perspective, New Jersey avg. daily handle for “completed events” in YTD (\$1.87mm) is roughly 6.7x avg. daily YTD handle in neighboring Delaware (\$279.76k).

Delaware, New Jersey and Nevada: Average Daily Handle In 2018 YTD



State	YTD Handle	YTD Operational Days	YTD Average Daily Handle
DE	\$22,940,341	82	\$279,760
NJ	\$146,127,752	78	\$1,873,432
NV*	\$778,795,435*	92*	\$8,465,167

* NV figure, which is included purely for context, is composed of June '18-August '18 handle only.

VIII. New Jersey Sports Betting: Partnership And Launch Tracker

A running list of who's partnering with whom. Updated monthly.

Source: Eilers & Krejcik Gaming LLC / Company News

A FAST-CHANGING LANDSCAPE. Since last month's report, four online sportsbooks (Caesars, 888, The Stars Group, and Monmouth Park) have gone live, bringing the total number of such sportsbooks to nine. By EOY, we expect that as many as 20 online sportsbooks will be operational.

Permit Holder	Online Skins	Online Platform Provider(s)	Launch	Casino / Track Land-Based Book	Land-Based Book Partner	Launch
NJ Casino / Track*	Brand(s)	Company	Date	Brand	Company	Date
Bally's AC				The Book	Scientific Games	7/30/2018
Borgata	<i>Borgata</i>	GVC		Race and Sports Book at Borgata	IGT	6/14/2018
	MGM	GVC	8/22/2018			
	<i>Boyd</i>	GVC				
Caesars	Caesars	Scientific Games	9/6/18			
	888	Kambi	9/10/18			
Golden Nugget	Golden Nugget	SBTech		The Sportsbook	SBTech	8/15/2018
	Churchill Downs	SBTech				
	SugarHouse	Kambi	8/23/2018			
Hard Rock	<i>Hard Rock</i>	<i>GiG</i>				
	<i>Bet365</i>	<i>Bet365</i>				
	Kindred/Unibet	Kambi				
Harrah's				The Book	Scientific Games	8/1/2018
Ocean Resort	Ocean Resort	GAN		William Hill Sports Book At Ocean Resort	William Hill	6/28/2018
	William Hill	William Hill	9/1/2018			
Resorts	Resorts	SBTech		The Resorts Hotel Casino Sports Book	SBTech	8/15/2018
	DraftKings	Kambi	8/1/2018			
	BetStars	The Stars Group	9/13/2018			
Tropicana	<i>Tropicana</i>					
Meadowlands*	PointsBet	PointsBet		FanDuel Sports Book	Paddy Power Betfair-IGT	7/14/2018
	FanDuel	Paddy Power Betfair-GAN-IGT	9/1/2018			
Monmouth Park*	William Hill	William Hill	9/1/2018	Monmouth Park Sports Book by William Hill	William Hill	6/14/2018
Freehold*						
Garden State Park*						

Note: Entries in *italics* have not been confirmed. They are educated best-guesses based on recent company news, source chatter and our own views.

IX. Delaware Sportsbook Data

Monthly stats from the Delaware sports betting market.

Source: Eilers & Krejcik Gaming LLC / Delaware Lottery

AUGUST RESULTS. The Delaware Lottery reported the following data for August (their fiscal month for reporting ended on August 26). We note that Delaware Park – which is strategically well positioned near the Maryland, Pennsylvania and New Jersey borders in northern Delaware – was again the clear market leader. During the period, it achieved 69% market share (in terms of net proceeds, or revenue) and booked over 85k wagers at an average size of ~\$61.

	Delaware Park	Dover Downs	Harrington Raceway	August 2018 Total	YTD Total
Amount Played	\$5,292,198	\$1,658,162	\$771,491	\$7,721,851	\$22,940,341
Amount Won	N/A	N/A	N/A	\$6,914,103	\$20,605,206
Hold Percentage	N/A	N/A	N/A	10.46%	10.18%
Vendor Fees	N/A	N/A	N/A	\$100,969	\$291,893
Net Proceeds	\$482,765	\$152,066	\$71,949	\$706,780	\$2,043,222
Number of Wagers	86,435	21,466	13,787	121,688	313,872
Average Wager	\$61.23	\$77.25	\$55.96	\$63.46	\$73.09

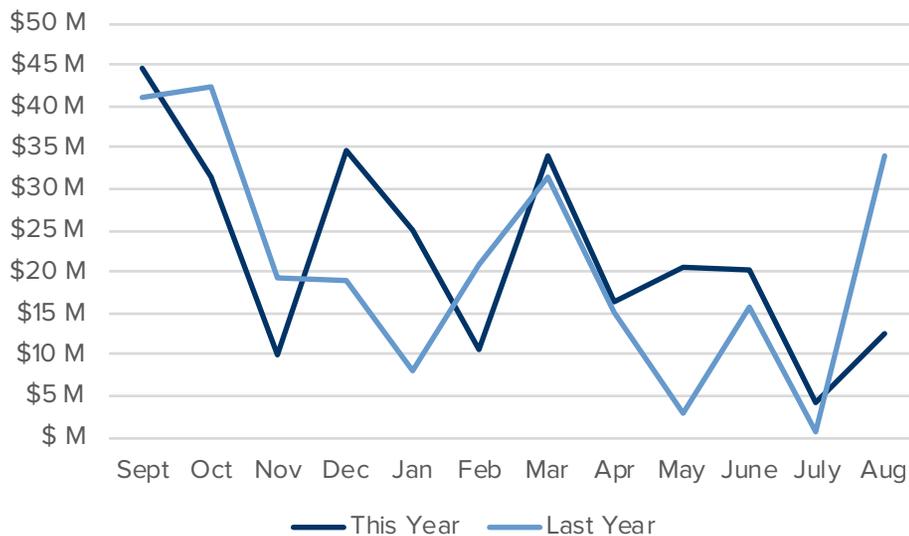
X. Nevada Sports Betting: Data Points

Monthly stats from the Nevada sports betting market.

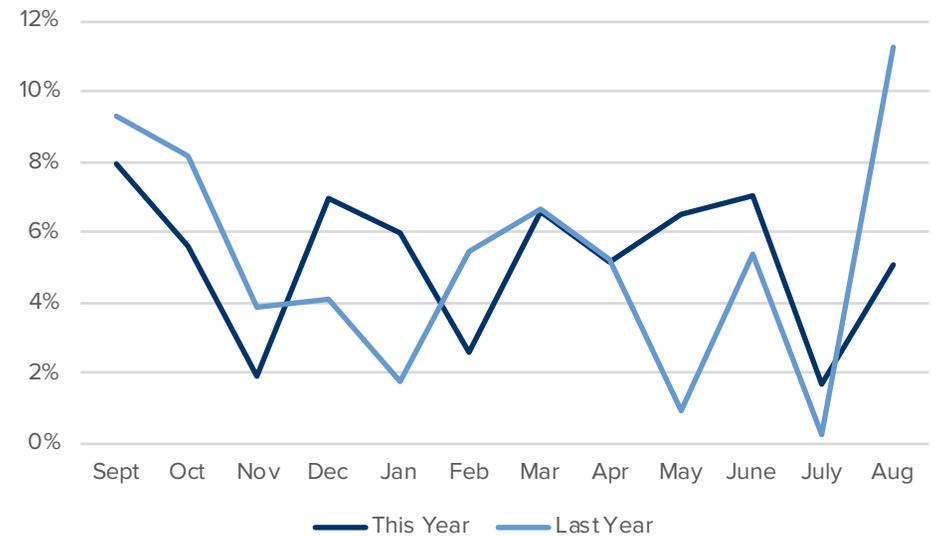
Source: Eilers & Krejcik Gaming LLC / Nevada Gaming Control Board

AUGUST 2018 RESULTS SUMMARY. Nevada sportsbooks had a strong August despite seeing a -17.74% drop in handle compared to August of 2017 (\$247mm vs. \$301mm). This was the second best August ever, and the YOY drop is largely because August 2017 saw substantial handle on a boxing match (Mayweather v. McGregor). Hold this month was a fairly typical 5.09%, and revenues were \$12.6 million. For August 2018, baseball handle accounted for 70.86% of total handle and brought in about \$8.3 million in revenue. A combination of NBA futures bets still paying off and WNBA action resulted in about \$900k in net losses at basketball. August marked the NFL's return, with preseason games accounting for \$38.9 million in handle and \$6 million in revenue. The "other" category accounted for 9.34% of handle, thanks to golf tournaments including the PGA Championship. Next month's report containing September figures should show a meaningful increase in handle due to the NFL regular season, NCAA football, NHL preseason, and tennis' U.S. Open.

Year-Over-Year Nevada Sports Betting Revenue



Year-Over-Year Nevada Sports Betting Hold %

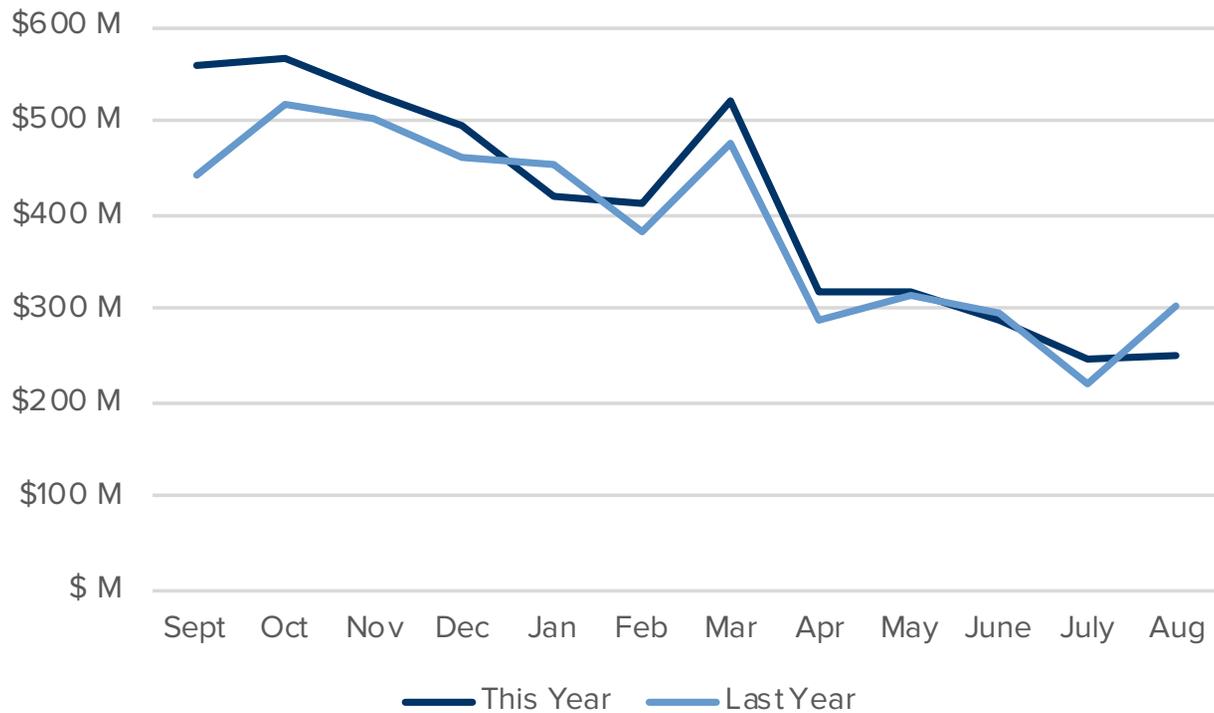


X. Nevada Sports Betting: Data Points

Monthly stats from the Nevada sports betting market.

Source: Eilers & Krejcik Gaming LLC / Nevada Gaming Control Board

Year-Over-Year Nevada Sports Betting Handle



YOY COMPARO FOR THE 12-MONTH PERIOD ENDED AUG. 2018

HANDLE: +5.66%
(\$4.91bn vs. \$4.64bn)

REVENUE: +5.49%
(\$263.8mm vs. \$250.1mm)

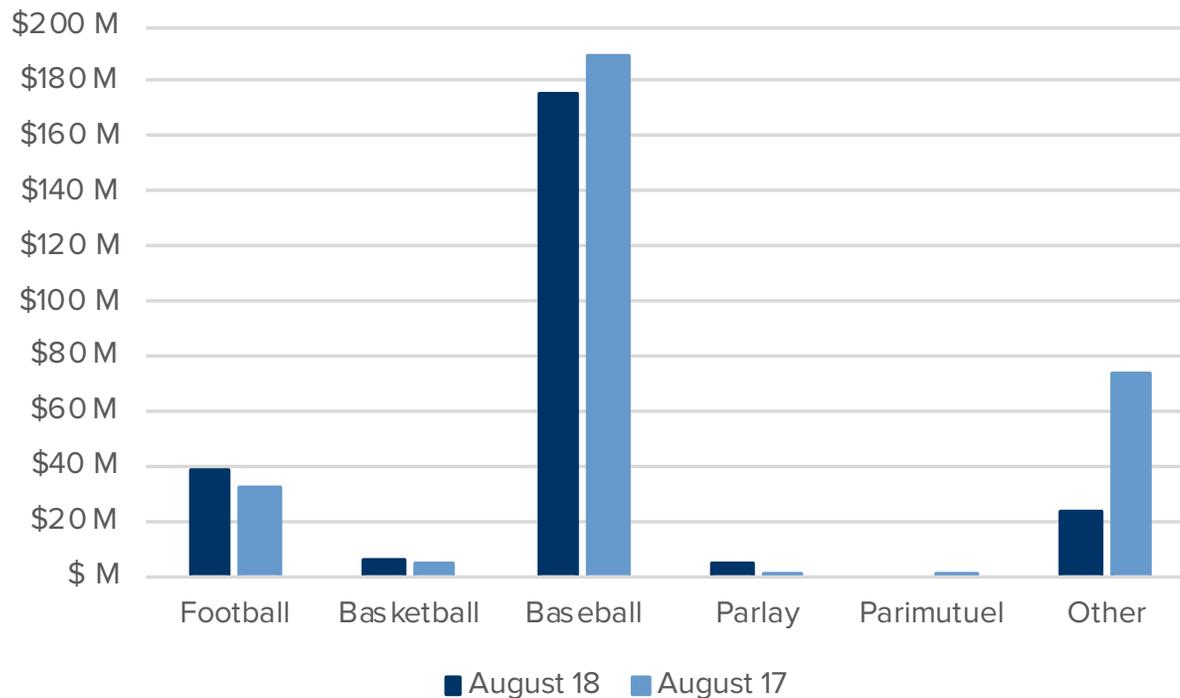
HOLD: -0.16%
(5.38% vs. 5.38%)

X. Nevada Sports Betting: Data Points

Monthly stats from the Nevada sports betting market.

Source: Eilers & Krejcik Gaming LLC / Nevada Gaming Control Board

Year-Over-Year August Sports Betting Handle By Sport / Type



YOY COMPARO BY HANDLE TYPE (2018 VS. 2017)

FOOTBALL: +20.84%
(\$38.99mm vs. \$32.26mm)

BASKETBALL: +37.79%
(\$5.91mm vs. \$4.29mm)

BASEBALL: -7.41%
(\$175.46mm vs. \$189.51mm)

PARLAY: +648.90%
(\$4.12mm vs. \$550k)

PARIMUTUEL: -100%
(\$0 vs. \$57k)

OTHER: -68.90%
(\$23.12mm vs. \$74.34mm)

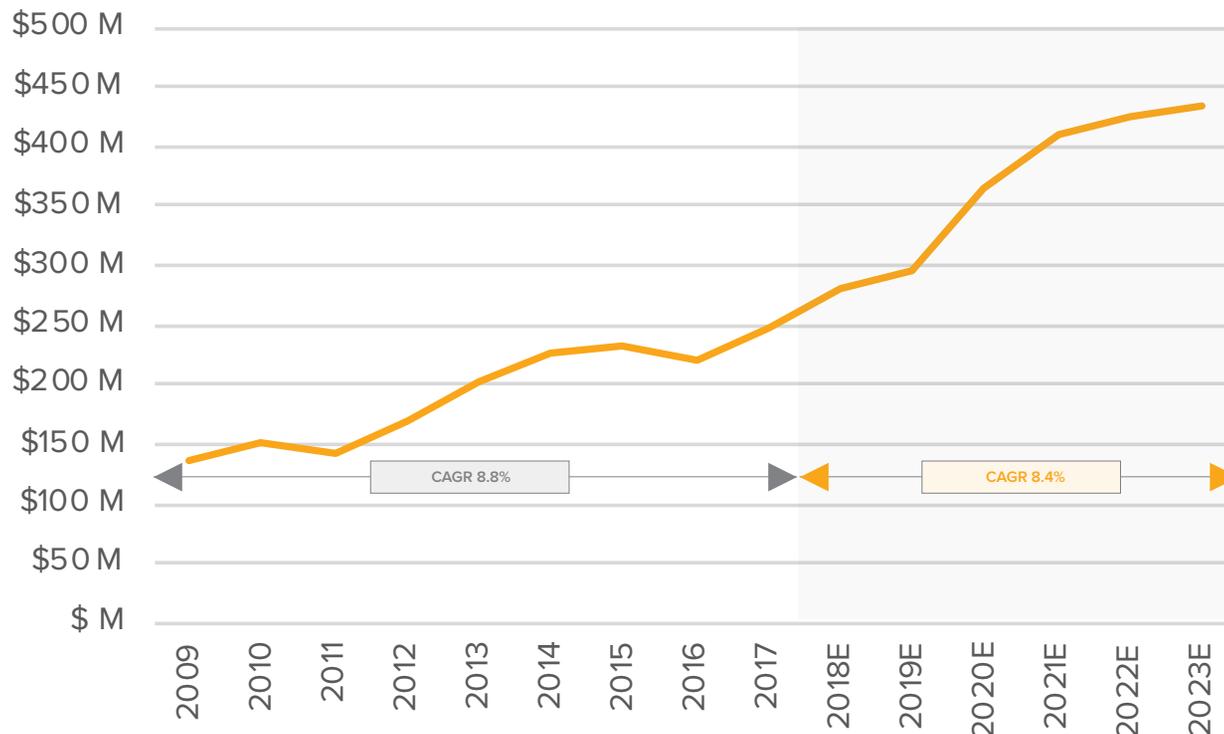
XI. Nevada Sports Betting: Revenue Projections

Our forecast for the Nevada sports betting market.

Source: Eilers & Krejcik Gaming LLC / Nevada Gaming Control Board

GROWTH AHEAD. Revenue for 2017 came in at \$248.8mm against our projection of \$247mm. We are projecting \$279mm for 2018. We expect recent growth in Nevada’s sports betting market to continue in the near-term, with a number of independent factors supporting meaningful growth through 2023. We believe that regulation of sports betting in other states will not suppress growth in Nevada and that Nevada’s growth will proceed on a trajectory distinct from other states.

Total Nevada Sports Betting Revenue | 2009-2023E



FACTORS SUPPORTING GROWTH

- Introduction of professional football and hockey teams.
- Additional marquee sporting events driven by bookings at T-Mobile and Raiders stadiums.
- Decrease in professional sports league opposition to holding events in Vegas.
- Macro growth of Vegas as a tourist destination and strengthening local economy.
- Improvements in user onboarding for mobile apps.
- Improvements in payment capabilities for mobile apps.
- Incremental UI / UX improvements to mobile apps.
- Greater investment in sportsbooks as “social” spaces.
- Live betting development.
- Expansion of wagering beyond traditional sports events.

XII. Updates From Europe (1/2)

A digest of key sports betting developments from across the pond.

HOLLAND: MUCH DELAYED IGAMING BILL LIMPS ON AS NEW CONSULTATION PERIOD BEGINS

The Netherlands' iGaming legislation, which initially passed through the Dutch House of Representatives in 2016 before stalling in the Senate, has begun another two-month consultation process in the hope of a final parliamentary vote before the end of the year. The bill, which would open up one of Europe's largest markets by per-capita spend to foreign competition, has faced considerable push-back from the country's land-based operators. The country currently has a tolerated grey market for online sports betting, where operators who market explicitly to Dutch customers face substantial fines.

UK: OPPOSITION PARTY CALLS FOR BAN ON GAMBLING ADS DURING LIVE SPORTS EVENTS

The UK's self-described government in waiting has called for a ban on all televised gambling adverts during live sports events as well as a statutory levy on sports betting operators to fund problem gambling research. The announcement from the opposition party, which is polling roughly even with the current government, reflects a growing discontent with the volume of gambling advertisements seen around sporting events in the UK, with operators able to advertise sport betting around daytime sport, not least the English Premier League games. Casino and gaming advertising is restricted to post 9pm.

PORTUGAL: SPORTS BETTING REVENUES UP BIG IN 2Q18 BUT A LARGE BLACK MARKET REMAINS IN PLACE

Portugal's gaming regulator reported +47% y/y growth in the country's regulated sports betting market during 2Q18, helped by the opening weeks of the FIFA World Cup taking place in late June, with soccer accounting for 74% of sportsbook revenues in the period. But total revenues of €20.5mm were below some of its European peers such as Italy, Denmark and the UK on a per-captia basis and operators in the region note the continued existence of a large black market servicing players who don't like the higher margin odds that come as a consequence of the punitive tax rate that starts at 8% of turnover.

XII. Updates From Europe (2/2)

A digest of key sports betting developments from across the pond.

PRODUCT: NORDIC-FOCUSED OPERATOR HERO GAMING LAUNCHES SWEDISH NO-REGISTRATION BETTING SITE

Malta-based Nordic-facing operator Hero Gaming has launched an pay-and-play sports betting site called SpeedyBet that allows customers to wager without registering an account. The site utilizes the Swedish BankID functionality to allow immediate player authentication and near-instant deposits and withdrawals. It comes on the back of the apparent success of the sister product SpeedyCasino in the Swedish, German and Finnish markets and it's expected the betting brand, which runs on the firm's in-house platform, will be rolled out to additional markets where the banking technology exists.

PRODUCT: UK FIRM BETVICTOR DEBUTS 2FA FOR ITS USERS FOLLOWING RISING SECURITY FEARS

UK operator BetVictor has become the first major sports betting firm to launch two-factor authentication, which requires users to confirm login requests on a mobile device, following rising security concerns. BetVictor CTO Jonathan De La Rosa told industry news site EGR that "online crime and internet fraud are on the rise" and that a "large number of cyber-attacks are password related". BetVictor were found to be subject to a major security breach earlier this year when a security researcher found a document detailing back office logins and passwords through a pop-up search box on the desktop site.

PRODUCT: START-UP PEER-TO-PEER BET PLATFORM LAUNCHES WITH AIM TO BE THE ETORO OF BETTING

Betconnect has been making headlines in the UK market with a new platform that aims to bridge the gap between social betting and betting exchanges, with users matched with professional bettors who are unable to place their bets through normal channels due to restrictions. Pros will place a request and recreational users can choose to accept the liability and then copy that bet by placing it at a traditional bookmaker. Industry experts cite numerous potential flaws in the model not least the likelihood that users copying bets will quickly find themselves restricted in a similar manner to the pros generating the bets.



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