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## **U.S. Regulated Sports Betting: Outlook And Key Stakeholders**

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- **Consulting & Advisory Services** - consulting & advisory services division provides a wide range of customized research products and advisory services for both gaming companies and investors including, but not limited to, M&A advisory, customized surveys, new market analysis, asset valuation, and competitive landscape analysis.

## Presenter



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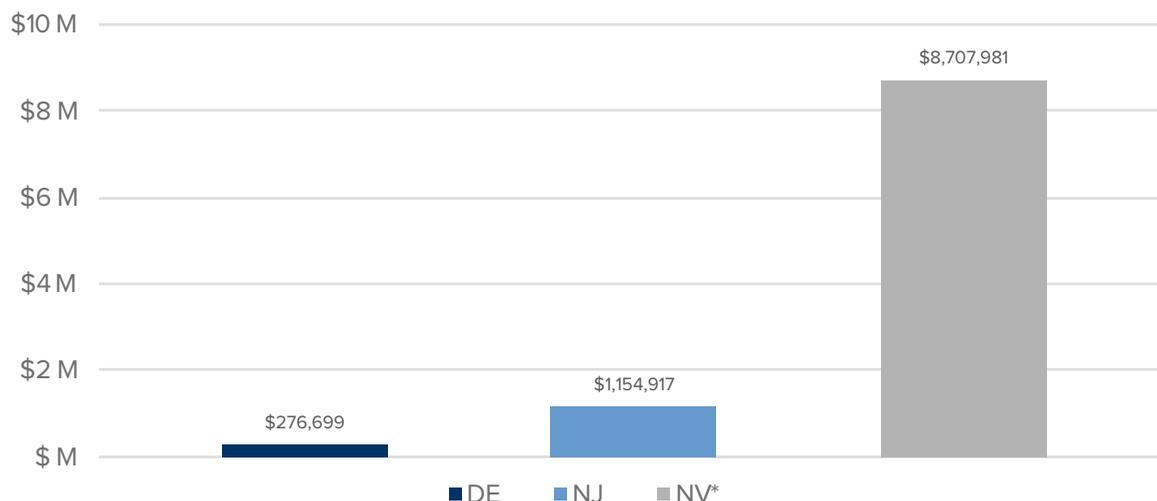
## U.S. Sports Betting: Legislative And Policy Outlook

COLLEGE FOOTBALL	123 MARYLAND	-13.5	158 OKLAHOMA
WEDNESDAY OCTOBER 3	124 GA TECH		159 TEXAS
MISSISSIPPI	125 BOWL GREEN		159 PENN ST
MISSISSIPPI STATE	126 OHIO ST*	-34.5	160 MINNESOTA
	127 KENT ST*	-24.5	161 MICH ST
THURSDAY OCTOBER 4	128 TEMPLE*	-5.5	162 MICHIGAN
FLORIDA	129 BALL ST		163 UNLV
MISSISSIPPI STATE	130 BUFFALO		164 COL ST
	131 ARKANSAS		165 N MEX ST
FRIDAY OCTOBER 5	132 AUBURN	-16	166 IDAHO
MISSISSIPPI STATE	133 DUKE*		167 VIRGINIA
	134 ALABAMA*	-29	168 E CAROLINA
	135 OKLA ST	-3	169 AKRON
	136 KANSAS ST		170 CINCINNATI
	137 TEXAS A&M	-1.5	171 S CAR
SATURDAY OCTOBER 6	138 KANSAS		172 KENTUCKY
MISSISSIPPI STATE	139 S DIEGO S		173 BAYLOR
	140 BYU	-27	174 COLORADO
	141 RICE	-2	175 NEBRASKA
SUNDAY OCTOBER 7	142 TULANE		176 IOWA ST
MISSISSIPPI STATE	143 NAVY		177 MEMPHIS
	144 AIR FORCE	-3	178 ALA-BIRM
	145 STANFORD		179 MISSOURI
	146 NTRE DAME	-32	180 TEX TECH
	147 W VIRGINIA	-26	181 WEST MICH
	148 MISS ST		182 OHIO
	149 LSU	-2	183 VANDY
	150 FLORIDA		184 OLE MISS
	151 WASH ST	-4	CENT MICH
	152 OREGON ST		
	153 ARIZONA		

## The U.S. Market Today

- Sports betting operational in NV, NJ, MS, WV and DE, and expected to launch imminently in RI (4Q18) and PA (4Q18-1Q19)
  - Timing of launch in NY (legalized sports betting in 2013) remains an open question
- Too soon to draw meaningful conclusions from limited NJ and DE data (MS and WV not reporting yet)
  - Drawing conclusions from limited data is actually dangerous, data is skewed
- NJ – populous, retail / mobile distribution allowed, skins permitted – will be market to watch in near-term
  - We est. NJ will generate total handle of ~\$1bn during NFL months (August ‘18-January ‘19)
  - We est. 20 (out of 42 potential) mobile sports books will be live by EOY
  - We anticipate Meadowlands (given its ability to draw drive-in traffic from NYC) will dominate NJ land-based market.
  - Fantasy sports brands are winning the online market in early days.

DE, NJ, NV: Avg. Daily Handle YTD18



\* NV figure, which is included purely for context, is composed of June '18 and July '18 handle only.

**\$1B**

*The amount of handle we expect NJ sports betting operators (retail + mobile) to generate during NFL months (August '18-January '19). During same period in CY17, NV sports betting operators generated handle of \$3.0bn.*

## Key Policy Issues

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### How will regulated sports betting be taxed?

- **Variety of state approaches to license fee.**
- **Variety of approaches to tax rate.**
- **Do the leagues get a cut?**
- **What programs should be funded via sports betting tax revenue?**

## Key Policy Issues

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**How will regulated sports betting be distributed?**

- **Retail-only or also online?**
- **What retail outlets will be allowed to offer sports betting, and to what degree?**
- **What limitations, if any, will be placed on online access?**
- **License structure?**

## Key Policy Issues

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**Will “skins” be allowed to offer online sports betting?**

- **“Skins” are unique online gambling brands operating under a single state-issued license.**
- **Allowing skins allows out-of-state brands to compete.**
- **Gambling industry divided on the question.**

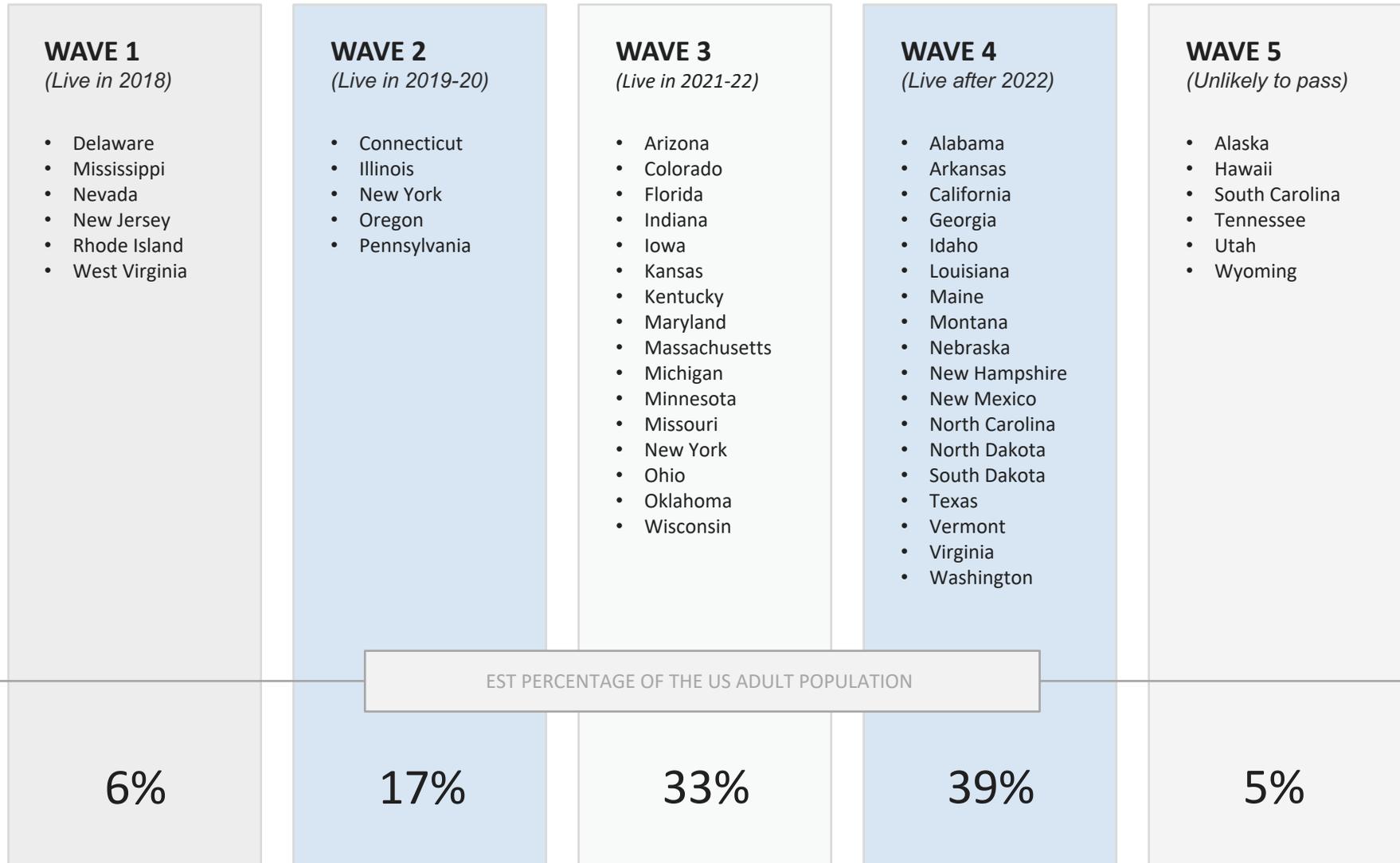
## Key Policy Issues

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**How will professional sports teams intersect with policy?**

- **Pro teams have a handful of core asks around revenue, data, and control.**
- **Gambling industry largely opposed, but there are some cracks in the dam.**
- **Leagues have been aggressive, but unsuccessful to date.**

## Legislative Outlook



## Three Policy Predictions

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### 1. The Leagues Will Get A Couple Ounces Of Flesh

- Leagues have shown willingness to act aggressively and may have sent a message in West Virginia.
- Leagues may be able to split sports betting lobby.

### 2. Federal Action Unlikely, Limited

- We do not expect any meaningful federal legislative action.
- National monitoring clearinghouse offers a narrow avenue.
- Midterms could create a opportunistic environment.

### 3. Lotteries Will Become Increasingly Assertive

- Lotteries under significant pressure to diversify product.
- New category of product may open legal, legislative doors.
- May draw momentum from first-wave states.

### Numbers To Notice

**23%**

*Percentage of U.S. population that will have access to regulated sports betting by 2020.*

**4**

*Number of first-wave states (DE, OR, RI, WV) where the lottery is the de facto operator or regulator of sports betting.*



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## **U.S. Sports Betting: Primary Stakeholders**



## Core Stakeholders

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### U.S. Casinos & Racetracks



- **Very active on policy front.**
- **Perceive moderate to meaningful financial impact from sports betting.**
- **Highly likely to act as direct operators, although some may simply sub-license.**

Image credit: Elnur / Shutterstock.com

## Core Stakeholders

# U.S. Gambling Industry Suppliers



- **Very active on policy front.**
- **Perceive moderate to significant financial impact from sports betting.**
- **Highly unlikely to act as direct operators, although lines likely to be blurrier with sports betting.**

Image credit: Elnur / Shutterstock.com

## Core Stakeholders

# International Betting Companies



- Very active on policy front.
- Perceive meaningful to significant financial impact from sports betting.
- Highly likely to act as direct operators, although market access will be an obstacle.

Image credit: Shutterstock.com

## Core Stakeholders

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### Route Operators



- Limited activity on policy front.
- Perceive limited to moderate financial impact from sports betting.
- Could act as operators via kiosk or similar model.

Image credit: Shutterstock.com

## Core Stakeholders

### State Lotteries / Retailers



- Increasingly active on policy front.
- Perceive moderate to meaningful financial impact from sports betting.
- Could act as director operators or choose to introduce sports-themed / powered games.

Image credit: Alisafavor / Shutterstock.com

## Core Stakeholders

# Professional Sports



- **Very active on policy front.**
- **Perceive significant – potentially transformative – financial impacts from sports betting.**
- **Highly unlikely to act as direct operators, with some possible exceptions.**

Image credit: Shutterstock.com

## Core Stakeholders

# Media Companies & Affiliates



- Limited activity on policy front.
- Perceive meaningful financial impact from sports betting.
- Somewhat unlikely to act as director operators, although a tightly-integrated affiliate relationship would look similar.

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