

Insight: Sports Betting Legislation Likely to be Energized by Early Successes

Digital is a Game Changer for Sports Betting

- Digital betting started in August in NJ, generating \$3.1M GGR from 3 sites, compared to \$6.6M from 8 retail locations
- In September, digital generated \$12.5M of GGR from 7 sites, surpassing the \$11.4M GGR generated from retail
- The disparity between digital and retail **handle** was much more substantial in Sept. - \$104M digital vs. \$79M in retail
 - Lower hold percentage for digital vs retail (12% vs. 14.4%) might reflect higher skill level of digital players
- Hold percentages are currently significantly higher in DE, NJ and MS compared to Nevada (~5%), possibly due to the large number of novice players attracted to sports betting (note also that total handle includes future events in NJ)

Football is King and Basketball is second – expect substantial betting volumes over the next several months

- Since Football season kicked off in early September, the volume of betting doubled in NJ and Delaware and increased more than 300% compared to the prior month in Mississippi
- Historically in Nevada, Football has been responsible for 42% of betting volume while Basketball accounted for 28%
- We expect October results to be significantly higher than September because Basketball season started, Football is in mid-season and Baseball postseason is likely to generate high betting volumes

On a per/adult basis, GGR should exceed Europe's top sports betting markets in 2-3 years

- According to H2 Gambling Capital the top ten sports betting markets in Europe generated between \$26-\$82 of GGR per adult in 2017 (adjusted for US GDP/Capita)
- We project US states will generate GGR per adult at the higher end of this range: \$50-\$70 – and early results in NJ, DE, MS where GGR per adult is \$18-\$27 after only 3 months, suggests that active states will reach this estimate quickly

We calculate that states with proposed legislation could represent \$6.6B-\$9.3B of GGR, assuming digital is included

- There are 18 states (half the US population) w/either proposed legislation or legalized sports betting not yet active
- This amount is approximately 10%-15% of land-based gaming in the US (which generated \$74B in GGR in 2017)
- At a 15% tax rate and digital betting, these new states could generate \$1 .0-\$1.4B in tax revenue

Summary Results for Sports Betting - NJ, DE & MS					
	June	July	Aug	Sept	YTD
New Jersey					
Retail	3.5	3.8	6.1	11.4	24.8
Mobile	0.0	0.0	3.1	12.6	15.7
Total GGR(\$M)	3.5	3.8	9.2	24.0	40.4
Handle (\$M)	16.4	40.7	95.6	183.9	336.7
Hold %	21%	9%	10%	13%	12%
GGR/Adult	\$12	\$7	\$17	\$47	\$22
Delaware					
Total GGR(\$M)	1.0	0.5	0.8	3.6	5.9
Handle (\$M)	7.0	8.2	7.7	16.8	39.8
Hold %	14%	6%	10%	21%	15%
GGR/Adult	\$27	\$8	\$16	\$56	\$27
Mississippi					
Total GGR(\$M)			0.6	5.5	6.1
Handle (\$M)			7.7	31.8	39.5
Hold %			8%	17%	16%
GGR/Adult			\$3	\$26	\$18
Source: State Gaming/Lottery Commissions					

NOTE: To track sports betting legislation in the US please visit our website: www.spectrumgamingcapital.com/us-sports-betting

To access gaming industry analytics please visit our website at www.spectrumgamingcapital.com/analytics

There we provide equity and debt comparisons for global gaming companies and gaming technology companies, a list of recent debt financings and a list of recent M&A transactions, updated weekly

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