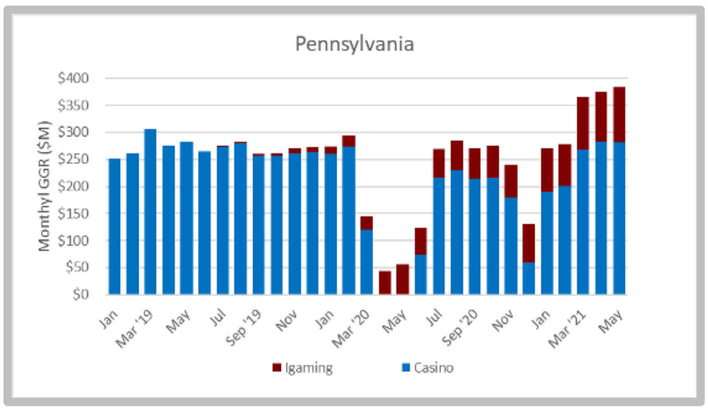
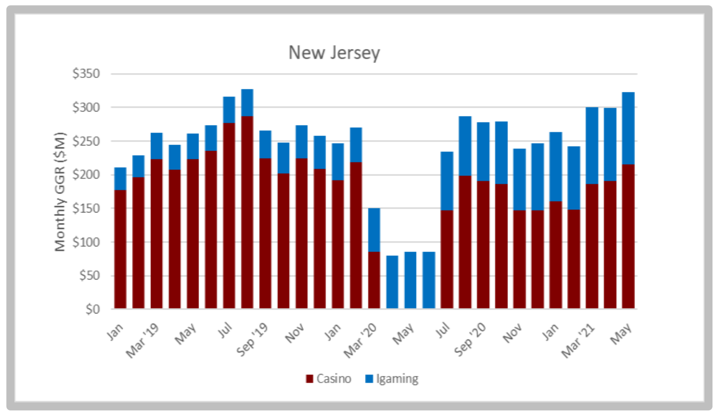
Spectrum Gaming Capital

Spectrum Gaming Capital SVP, David Isaacson, participated in a fireside chat focused on digital gaming, at Jefferies Virtual Consumer Conference on 6/24/21. Below is "Quick Insight" summarizing the topics covered

- **What is the relationship between land-based GGR and digital GGR? Do you expect digital wagering will complement or cannibalize land-based casino business?**
  - *In PA, land based casino performance completely rebounded and is now on par with monthly GGR performance prior to the introduction of Igaming (even accounting for the impact of Covid) – in PA Igaming appears to be incremental with little to no cannibalization*
  - *In NJ land-based casino performance is slowly improving but still lower than prior to the pandemic; at the same time Igaming is generating about twice as much revenue compared to the periods prior to the pandemic*
  - *The difference between PA and NJ performance can be accounted for the relative convenience for gamblers to visit a land-based casino vs. playing online*
  - *NJ casinos are clustered in AC, so people that are far away, like in Northern NJ, are more likely to choose to play online rather than make the trip to AC*
  - *In PA where the casinos are not clustered, but more dispersed throughout the state, it is seemingly less of an inconvenience to travel to a PA casino, even with the option to play online*
  - *The results suggest that if casinos can be accessed locally, gamblers will still visit, even with online gaming competition*





- **We have seen states that launched this year, namely MI, TN, and VA, ramp up faster than expected with initial spend per capita higher than that of NJ. How would that translate to ramp-up in NY?**
  - *NY is likely to have a faster ramp-up than NJ, more like MI, TN and VA; in part because people are accustomed to wagering already, either via offshore accounts or in neighboring NJ*
  - *TN and VA performance stands out because A) they are not casino states B) there isn't a significant presence of pro sports teams in those states*
  - *NY has a substantial number of pro sports teams and little to no sports wagering competition - retail sports wagering exists only at upstate casinos and ~75% of the population resides downstate – all signs suggest that NY will have a faster ramp-up than NJ*
- **How much of NJ's OSB and iGaming GGR are originated from NY residents? Do you think there is further upside to NJ's current OSB and iGaming revenue?**
  - *Based on insight from operators up to ~25% of retail wagering comes from NY, particularly at the Meadowlands, which is just 12 miles away*

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- *For digital, the percentage is much lower, maybe 5%-10%; this is due to the significant amount of in-play wagering – operators suggested that at least 50% of digital wagering consists of in-play*
    - *In-play wagering is most oriented to players wagering from home (vs. remotely or while commuting)*
    - *The 50%/50% split between pre-match and in-play is supported by results reported by the Oregon lottery, which is the only state that provides this level of data*
    - *In-play wagering will increase as operators continue to develop enhanced products for this more rapid and "gamblified" form of wagering – this will lead to even greater upside in NJ*
- **What are some of the advantages and disadvantages of the digital sports betting structure laid out for NY? The state is expected to review the structure in a year after launch. What will be the focus area during such review? What would success look like in a 12-month time frame?**
    - NY market will allow a min. of 4 operators; this model is not overly competitive like NJ with ~20 operators nor is it a monopolistic market like New Hampshire with only 1 operator
    - We recently compared the operating results in competitive markets vs monopolistic markets for insight - our analysis suggested <u>competitive or non-restrictive markets generated 20% higher GGR than monopolistic or restricted markets</u>
        - We reviewed monopoly and or restrictive markets in Europe such as Greece, Germany, and Sweden (all monopolies including Sweden pre-2019), Finland (strict regulation around marketing) and Norway (tight regulations around payment acceptance)
        - We compared those markets with competitive European markets such as UK, Spain, France and Italy
        - We also compared New Zealand (monopoly) with Australia (competitive)
    - We believe NY model could result in lower-than-expected GGR, however assuming the prevailing tax rate is 50%+ the tax revenues will be substantial anyway
    - We expect NY's review of their sports wagering structure will focus on the interplay between tax revenue and overall GGR compared to nearby states NJ and PA
- **How does a high tax rate impact GGR?**
    - We look to NJ and PA for insight – NJ gaming tax rate is 12% vs 36% in PA
    - Over the LTM period ended May 2021, NJ is generating on avg ~65% more handle and ~50% more GGR
    - However, from a tax revenue perspective PA is generating twice as much tax revenue as NJ