

Insight: Competition and Digital Needed for Robust Sports Betting Markets

We analyzed sports betting by categorizing more mature markets into 2 groups: “Unrestricted Markets” (markets with digital & multiple operators) and “Restricted Markets” (no/limited digital & limited competition)

Unrestricted Markets are generating or on pace to generate \$50+ of GGR/adult (adj for HHI)

- Most Unrestricted Markets have large populations and substantial numbers of local sports teams
- Except for PA, each market has low gaming tax rates (<20%), enabling operators to promote affordably
- NJ, IN & PA are generating \$50+ of GGR/cap; we expect all competitive markets to reach \$50+ at maturity

On a GGR/Adult basis, Restricted Markets are underperforming by 50% on average

- Absence of digital wagering in MS, AR and MT adversely impacts GGR performance because digital is, by far, dominant modality for sports wagering
- Limited competition in monopoly states even with digital, including NH, DC & RI, also inhibit overall wagering volumes

Average Hold % is 7.6% in Unrestricted Markets vs. 11.5% in Restricted Markets

- Due to absence of competition and digital in Rest. Markets, bookmakers offer less competitive odds to customers
- In retail-only or monopolies, gamblers cannot “comparison shop” when wagering; the opposite is true in competitive markets
- This is most pronounced in DC and MT, where digital monopoly operator, Intralot, offers substantially below market odds, resulting in only 25% of DC GGR generated via digital vs. ~90% in most markets

Other important insights

- Although NJ is the dominant state in terms of GGR, PA is the dominant state in terms of tax receipts
 - For the LTM period ended 10/21, NJ generated 70% more handle (\$10.3B vs \$6B) & 60% more GGR (\$759M vs. \$476M) vs. PA; however, PA generated almost double the tax revenue (\$189M vs. \$114M)
- Although sports wagering skews mostly digital (~80%-90%), CO is 98% digital because its 33 casinos are located ~1 hour west of Denver, where most of the population resides; It is likely that retail locations are not profitable

(\$000's) State	Tax Rate		Retail		Digital		LTM Results			Digital/Total		GGR/Adult	
	Retail	Digital	Hdle	GGR	Handle	GGR	Hdle	GGR	Hold %	Hdle	GGR	Actual	Adj. (3)
Unrestricted Markets													
NJ	8.5%	13.0%	934	80	9,768	743	10,702	823	7.7%	91%	90%	\$118	\$89
IN	9.5%	9.5%	419	53	3,261	252	3,680	306	8.3%	89%	83%	\$59	\$66
PA	36.0%	36.0%	473	51	5,607	423	6,080	474	7.8%	92%	89%	\$47	\$52
IA	6.8%	6.8%	249	28	1,634	80	1,883	108	5.7%	87%	74%	\$44	\$46
IL	17.0%	17.0%	227	23	5,748	444	5,975	467	7.8%	96%	95%	\$47	\$45
CO	13.8%	18.0%	57	2	3,369	222	3,426	224	6.5%	98%	99%	\$50	\$43
WV	10.0%	10.0%	147	17	397	29	544	46	8.4%	73%	63%	\$33	\$44
TN		20.0%	NA	NA	2,335	201	2,335	201	8.6%	100%	100%	\$37	\$44
MI (1)	8.4%	9.7%	290	28	3,171	203	3,461	231	6.7%	92%	88%	\$29	\$32
VA (2)	10.0%	15.0%	NA	NA	2,393	206	2,393	206	8.6%	100%	100%	\$31	\$26
Median			270	28	3,216	214	3,444	228	7.8%	92%	90%	\$46	\$44
Mean			350	35	3,768	280	4,048	309	7.6%	92%	88%	\$50	\$49
Restricted Markets													
MS	12%		585	70	NA	NA	585	70	12.0%	0%	0%	\$31	\$43
RI	51%	51%	189	19	215	21	404	40	9.9%	53%	53%	\$44	\$42
DC	10%	10%	156	20	49	8	205	28	13.8%	24%	28%	\$47	\$34
NH	50%	50%	133	10	500	34	633	44	7.0%	79%	77%	\$40	\$33
MT (4)		6%	49	7	NA	NA	49	7	14.3%	0%	0%	\$8	\$9
OR (5)			NA	NA	325	31	325	31	9.5%	100%	100%	\$9	\$9
AR	20.0%		64	9	NA	NA	64	9	13.8%	0%	0%	\$4	\$5
Median			144	15	270	26	325	31	12.0%	24%	28%	\$31	\$33
Mean			196	23	272	23	323	33	11.5%	37%	37%	\$26	\$25

(1) 11 mos for dig. (2) 10 mos (3) Adj for US median HHI (4) Mobile on-premises only (5) Tribal retail only

Source: State Gaming Commissions, Census.gov, Spectrum Gaming Group

Contact information:

Rob.Heller@spectrumgamingcapital.com

David.Isaacson@spectrumgamingcapital.com

suveer.seemangal@spectrumgamingcapital.com