

Insight: Slot Manufacturers Re-Positioning for the Millennial Gamer

The U.S. Gaming Industry is at a crossroads with stagnant growth and a generational shift to Millennials

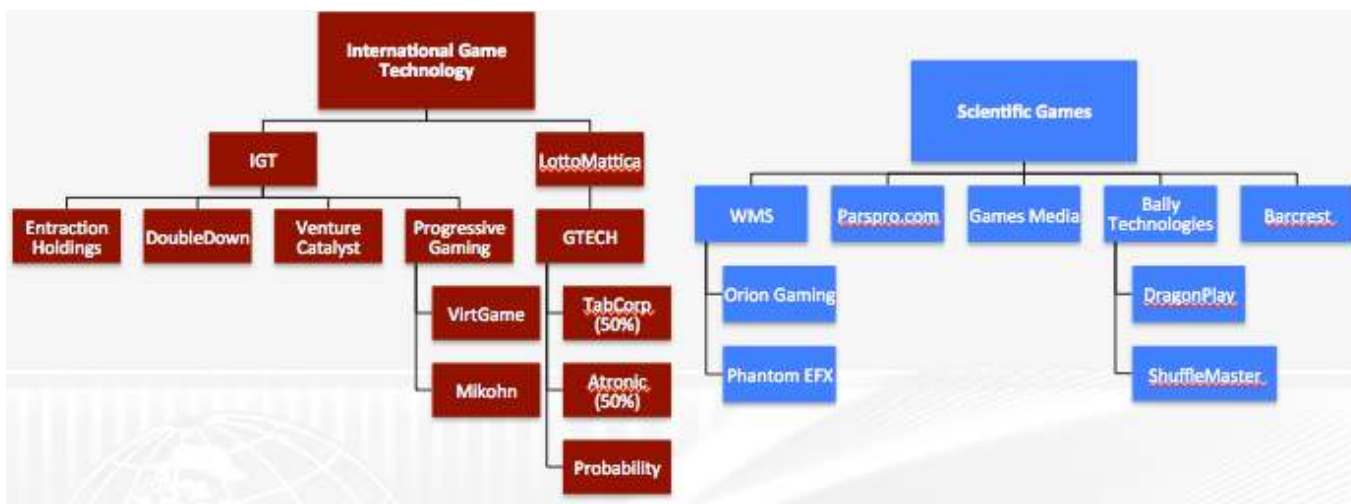
- Since 2009, domestic gross gaming revenue (“GGR”) has grown at a compound annual growth rate of 2%, to \$70 billion
- At over 75 million, Millennials surpass Baby Boomers as the largest population cohort
- Millennials have a different view of gaming as an activity than Baby Boomers
 - 9% of Millennials took a gaming vacation in 2014, compared with 13% of Baby Boomers and 11% of Matures
 - Slots are viewed by Millennials as “anti-social, non-intuitive and generally boring.”¹
 - According to the Pew Research Center, 51% of Millennials said slots or video poker are their preferred form of gaming, compared with 61% of all casino goers

Slot machine manufacturers are transitioning to pursue this demographic

- Skill-based slots will add more interaction and decision points
- Adding social gaming
 - IGT’s social casino app, DoubleDown, is the #1 grossing app on Facebook
 - Five of the top 15 social casinos are owned by casino equipment manufacturers
- Casino tech companies offer more services than land-based operators
- Improved graphics will enable manufacturers to offer games that mimic mobile and Internet game alternatives

Manufacturers have been consolidating, as 22 companies have merged into the two industry leaders

- These two companies have completed nearly \$20B in mergers since 2005
- This convergence has been driven by the need to acquire new technologies and enter new markets, such as iGaming, proprietary table games and lottery systems



Source: Spectrum Gaming Capital

¹ Roberto Coppola, “Is Your Casino Optimized for Millennials,” Marketing Research Association, April 28, 2015.