Global Market Advisors

DENVER LAS VEGAS SINGAPORE

State Legislative Update on U.S. Sports Betting & Online Gaming – November 2020

In partnership with Truist Securities, Global Market Advisors publishes a monthly legislative update on sports betting and online gaming throughout the United States. This provides insights and commentary on several key aspects of the market and the surrounding political narrative effecting the legalization of sports betting, gaming, and other issues. A link to the full Truist Securities report can found here.

A Successful Election Season

While the national scene continues to sort through its trials and tabulations at the presidential level, the 2020 Election saw a great deal of success for gaming at the ballot box. Gaming was featured on the ballot in six states, with five of those having direct implications to sports betting. As will be highlighted later on in this brief, this continues to show that taking measures to the ballot is a method that operators, legislators, and regulators should not shy away from. The key is having the proper education campaign on the positive impacts of sports betting, as well as being prepared to provide answers to the naysayers.

While this applied well to sports betting and to a lesser extent brick and mortar operations, the future for iGaming may not have the same success unless an effective education campaign is run. iGaming brings in a different element to the ballot and legislative conversation, and it is one that will be tested in the coming months as every state legislature meets in 2021. Passage of sports betting measures is often easier when voters can often turn on their television, radio, or social media apps and discuss the line, just as one would discuss how well or how poorly a quarterback is playing in any given football game. iGaming is a more challenging sell, as this is viewed more similarly to a traditional slot machine or a table game directly in the hands of consumers, and legislators need to know that the right measures would in place for financial and consumer protections.

As with the chaos of the 2020 Election, there is significant chaos still in the sports world as it deals with SARS-CoV-2. With professional baseball, hockey, and basketball all coming to a close and the Master getting ready to start, it continues to be an interesting year where the norms will not be seen in terms of revenues until the standard sports betting year can stabilize. Football is also in this mix as the schedule continues to shift at the college and professional level. With 'unprecedented' and 'uncertain' still the key words of 2020, games without fans, games that are postponed, and games that are cancelled are unfortunately becoming more commonplace. This is hard on operators in terms of developing the lines in these new environments, but also hard on bettors that do not like the uncertainties as they are enjoying legal sports betting.

The one thing that is certain is that revenues continue to climb, with those states offering competitive markets continuing to pave the way forward. These also tend to be states that do not have the state lottery enlisted as the regulator. Lotteries continue to challenge the nature of sports betting, as it is not in their typical wheelhouse for regulation and they are still learning. Tennessee and Virginia may be the only two cases that may find some success, but only time will tell as both of these states are only just launching.

U.S. Sports Betting Comparable Summary

State	Timeframe	Handle ($MM)	Sports Betting Revenue ($MM)	Hold %	Taxes Collected ($MM)	Total Gaming Revenue ($MM)	Sports Betting % of Total Gaming	Sports Betting Win per Adult
Nevada	TTM Sept'20	$4,210.5	$ 233.3	**5.5%**	$ 15.7	$ 8,612.9	**2.6%**	**$100.44**
Delaware	TTM Sept'20	$ 60.7	$ 9.2	**15.1%**	$ 5.3	$ 279.4	**3.2%**	**$12.44**
New Jersey	TTM Sept'20	$3,477.8	$ 332.1	**9.6%**	$ 41.5	$ 1,667.4	**16.6%**	**$48.94**
Mississippi	TTM Sept'20	$ 346.3	$ 38.7	**11.2%**	$ 4.6	$ 1,764.8	**2.1%**	**$17.92**
West Virginia	TTM Sept'20	$ 244.6	$ 15.5	**6.3%**	$ 1.5	$ 422.2	**3.5%**	**$11.30**
Pennsylvania	TTM Sept'20	$2,913.4	$ 122.6	**4.2%**	$ 44.1	$ 2,482.4	**4.7%**	**$12.66**
Rhode Island	TTM Sept'20	$ 220.8	$ 18.6	**8.4%**	$ 9.5	$ 381.1	**4.7%**	**$23.03**
Iowa	TTM Sept'20	$ 466.5	$ 29.0	**6.2%**	$ 2.0	$ 1,148.5	**2.5%**	**$12.55**
Indiana*	TTM Sept'20	$1,282.7	$ 89.2	**7.0%**	$ 8.5	$ 1,429.7	**5.9%**	**$19.92**
Michigan*	Since Launch (Mar'20)	$ 49.8	$ 6.5	**13.0%**	$ 0.5	$ 214.8	**2.9%**	**$1.48**
Colorado	Since Launch (May'20)	$ 459.2	$ 22.9	**5.0%**	$ 0.8	$ 221.6	**9.4%**	**$12.66**
Washington D.C.	Since Launch (Jul'20)	$ 21.3	$ 2.7	**12.8%**	$ 0.3	N/A	**N/A**	**$19.88**
Average Without Nevada				**7.2%**			**6.9%**	**$18.00**

Source: Global Market Advisors
** excludes tribal gaming revenues*

The space continues to see an evolution of players, partnerships, and teams coming together to develop a dynamic market. While William Hill and Caesars are now going down the path towards a merger, other companies are starting to stake their claim in the space. The most recent of these was Wynn Interactive from Wynn Resorts that is increasing its presence across the country in both sports betting and iGaming. It is still early days in the market in terms of M&A, sponsorships, and partnerships all coming into focus.

iGaming continues to show that it can be a complement to the brick and mortar space as well as serve as a revenue enhancer for both state governments and gaming operators. The numbers highlighted below show the continued development of iGaming in terms of the product quality and the general acceptance of the platform. Michigan will be the next to emerge on the scene in the near term as it competes with an existing iLottery product, similar in nature to the Commonwealth of Pennsylvania. The uniqueness of the market segments provides an interesting dynamic both in terms of regulation and product. It is a growing market segment and one that, if done right, can grow revenues for states and operators across the board.

Delaware Online Gaming Revenues

	TTM Sept'20	TTM Sept'19	% Change
Delaware Park	$ 3,231,093	$ 1,383,058	133.6%
Dover Downs	$ 2,859,335	$ 1,234,152	131.7%
Harrington	$ 1,910,885	$ 662,763	188.3%
TOTAL	**$ 8,001,312**	**$ 3,279,973**	**143.9%**

Source: Delaware Lottery, GMA

Pennsylvania Interactive Gaming Revenues

	TTM Sept'20
Penn National	$ 73,142,117
Parx	$ 48,633,056
Rivers Philadelphia	$ 118,734,722
Mount Airy	$ 70,483,192
Mohegan	$ 17,843,362
Presque Isle	$ 2,118,877
Valley Forge	$ 63,077,067
Caesars	$ 4,264,139
Wind Creek	$ 810,308
Live! Philadelphia	$ 129,305
TOTAL	**$ 398,296,533**

Source: PGBC, GMA

New Jersey Online Gaming Revenues

	TTM Sept'20	TTM Sept'19	% Change
Borgata	$ 160,734,859	$ 66,763,990	140.8%
Caesars	$ 82,929,173	$ 54,279,589	52.8%
Golden Nugget	$ 290,123,799	$ 153,228,212	89.3%
Tropicana	$ 62,360,768	$ 43,456,265	43.5%
Resorts	$ 178,073,154	$ 78,273,733	127.5%
Hard Rock	$ 48,310,741	$ 19,988,461	141.7%
Ocean Resort	$ 8,756,717	$ 5,730,857	52.8%
TOTAL	**$ 831,289,211**	**$ 421,721,107**	**97.1%**

Source: NJDGE, GMA

ROCKY TOP LAUNCHES

Tennessee went live on November 1st with four operators out of the gate. This included BetMGM, DraftKings, FanDuel, and Tennessee Action 24/7. The Action 24/7 groups is a local startup that is trying to differentiate itself in the market with a local appeal. While it has only been open for just over a week, it saw the largest single opening day for BetMGM, DraftKings, and FanDuel. While the market is challenging with its 20 percent tax rate and its 10 percent mandated hold, look for others to enter the market in the first quarter of 2021. These will likely include Wynn Interactive, Churchill, and William Hill. Tennessee has seen an acceleration in its ability to launch a market since July after the process took over six months being dragged through the mud.

VIRGINIA CONTINUES ITS SPRINT

In the middle of October, Virginia began its next phase for the licensure of sports betting. The clock is running thanks in part to the General Assembly in Virginia that gave the Virginia Lottery the mandate to move fast. The Lottery approved the regulatory structure in mid-September 2020, with regulations posting and becoming official in October. As those regulations were being approved, it was followed by the statement at the same meeting that a board member asked who might be applying for licenses. Those interested in the market have a limited window for a state that hopes to open in the first quarter of 2021. The unknown at this time is who all has submitted applications, and the Lottery is keeping it quiet, perhaps to inform those board members that seemed aloof as opposed to having a transparent process of those that are interested in the market. Interested players will likely include the usual parties such as BetMGM, DraftKings, FanDuel, PointsBet, and Wynn Interactive. With the recent passage of four casino locations in Virginia, Hard Rock, Caesars, and Rush Street all have access to potential licenses with these land-based locations. The only unknown party at this time is the potential partner for the Pamunkey tribe.

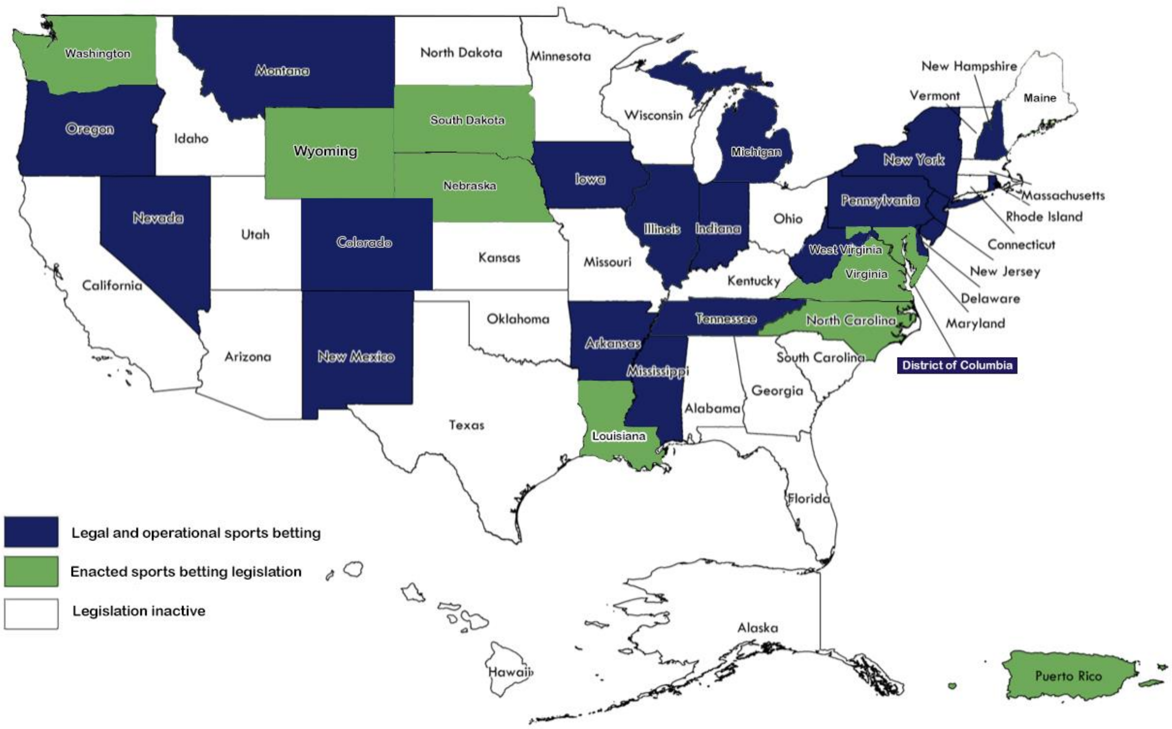
TRIBAL START ON THE PLATEAU

At the end of October, the Northern Arapaho Tribe in Wyoming stated that they will launch sports betting at their three casinos on the Wind River Reservation with a launch date hopefully before the Super Bowl. Taking the same approach as the Santa Ana Star Casino did in New Mexico, it brings an interesting dynamic to a state that did not get sports betting done in 2020, as well as now having a Gaming Commission in place to deal with this in the future. In a study released earlier this year, sports betting was contemplated and will likely be debated in 2021. The challenge with tribal partnerships such as this is that it creates two different playing fields in the state. New Mexico is dealing with this challenge now in the legislature, and Wyoming will face the same issue in 2021.

WILL JERSEY END THE BAN?

Sports betting would not be where it is today without the State of New Jersey. This is first because of the ballot initiative in 2012 that eventually resulted in forcing the repeal of PASPA. It was also because of Governor Chris Christie forcing the issue and standing up to the NCAA. With passage roughly eight years ago, one of the measures called for a wagering ban on college athletics that took place within the state. This included not only wagers on schools including Rutgers and Seton Hall, but also any other collegiate events that occur in the state. The repeal of these limitations seems like it may become a reality with the work of the New Jersey legislature to potentially put the issue back on the ballot. While there will be several hurdles in this process, the repeal would be logical for a host of reasons. The continued argument that keeping college athletics off the books for the “protection of athletes” is insubstantial. The only method to protect the integrity of the game is to include it within the regulatory structure. The NCAA still needs to catch up on this issue that it has struggled to understand for decades.

Legal Status of Sports Betting in the United States



Source: Global Market Advisors

ELECTION REVIEW

Three states had the sports betting issue on the ballot this November – Louisiana, Maryland, and South Dakota. Three other states had gaming initiatives on the ballot, with two of those having implications related to sports betting. Others could have implications for iGaming regulation in the future. As stated earlier, Election Day was a positive day for gaming in general with the further acceptance of gaming as a mainstream form of entertainment.

LOUISIANA

It had only been two years since Louisiana approved fantasy sports in 47 of the state’s 64 parishes. Louisiana has a parish-by-parish vote to approve gaming, and this was no different for sports betting than it was for fantasy sports. Louisiana overwhelming approved sports betting that will allow roughly 95 percent of the state to participate. The legislature now has to prescribe the regulatory structure for sports betting. The challenge will be on how quickly they will move. Hopefully, they do not take the same path as they did with fantasy sports, which was delayed in the legislature by nearly a year and a half from when the voters approved it before the Louisiana Gaming Control Board could implement the regulatory structure as it did this past summer. It was only under the need for revenue generation during the pandemic that forced the legislature's hand. This will likely be the case again in 2021 as states continue to face fiscal challenges. However, as the people have spoken again, there is no doubt where the people stand. Hopefully, the legislature listens the second time.

SOUTH DAKOTA

South Dakota's initiative, which was backed by the Deadwood Gaming Association, was able to get through the legislature this year to allow the voters to have their voices heard. The voters responded in a positive fashion as well in a campaign that was kickstarted more slowly than the proponents would have wanted, mostly due to SARS-CoV-2. This is the second of three states that will now rely on the legislature to craft the regulatory environment. The biggest question on the potential for this market will be whether or not mobile wagering is allowed, which would take gaming well beyond the boundaries of Deadwood. If the legislature wants to craft the most competitive market, it should look to allow mobile wagering but hold operators to the same standard as the existing licensees. It is the only applicable way to compete against the illegal market.

MARYLAND

Maryland's ballot initiative was passed at the eleventh hour of the legislature and was stripped of nearly all details, turning it effectively into an advisory question on the ballot (i.e., "Do you want sports betting?"). Before Election Day, Maryland had been surrounded by other active sports betting jurisdictions, and this was one of the reasons that the legislature felt it was necessary to get the issue on the ballot, as this is the only way the expansion could take place. While the ballot language was poor, the measure passed overwhelmingly with the help of operators like DraftKings, FanDuel, and BetMGM that has a presence through the MGM property at National Harbor. The largest question now is how the market will be crafted, whether the state will craft a market that is similar to New Jersey that allows multiple operators and skins, or rather a limited market that only allows its existing licensees to compete, which would limit the market potential. Maryland, like many east coast states, will be jumping through unnecessary hoops as they seek to create the ideal market. It still is a matter of what could get in the way of revenue maximization for the state and for operators.

VIRGINIA

Four of the five potential gaming locations in Virginia were approved on the ballot this November. The four cities of Bristol who partnered with Hard Rock, Danville with Caesars, Norfolk with the Pamunkey Tribe, and Portsmouth with Rush Street all successfully passed their respective ballot initiatives for land-based gaming. As of the issuance of this brief, only Norfolk seems to have some legal challenges as local opposition from Cordish is seeking to interrupt the process. Richmond, the potential fifth land-based gaming city, will be featured on a later ballot. These will have an impact on sports betting as outlined above, as each operator is expected to apply to have both brick and mortar as well as mobile licenses for sports betting.

COLORADO

While not sports betting specific, Amendment 77 passed to allow voters residing in the state's three gaming towns (Central City, Black Hawk, and Cripple Creek) to expand the types of games allowed within a casino and to remove the $100 limit on single wagers. This will help the brick and mortar industry grow significantly that has been stifled for years. It may additionally help down the road with a potential iGaming initiative. Those efforts will take some time, probably at least a couple of years as the market continues to evolve with sports betting, and as the brick and mortar sector starts to expand in the short term.

NEBRASKA

The Cornhusker State had three initiatives on the ballot, including one constitutional and two statutory initiatives. This was the first time in 16 years that gaming had been meaningfully put before the voters. All three initiatives passed with over 65 percent of the vote. However, the question remains as to the exact definition of "all games of chance" that are now authorized by these measures. This may not only mean sports betting but iGaming as well. What is certain in this is that the proponents have crafted some bad policy. Gaming policy should never be crafted at the ballot and is difficult to do under single-subject pretenses. This has now caused the interesting conundrum of what it all means and how things will roll out into 2021. Some proponents of the measures have already announced that they are moving forward with certain developments that show no meaningful investment in the state of a sizable proportion. The Ho Chunk Tribe that will be developing these facilities in partnership with the existing tracks have said they are going to drop $100 million into their "crown jewel" outside of Lincoln. While this is a decent number, it is not nearly the number that was put forward sixteen years ago that included a significant investment in a more meaningful way for economic development and tax revenue. The next steps are to see how the Nebraska Unicameral handles this as it opens up the 2021 session.

WILL 2020 ADD ANY MORE?

Now that the 2020 Election has been conducted, the question remains as to which states may still move before the end of the year. The most likely states are Ohio and Massachusetts that have debated sports betting for some time and continue to hold active conversations. Ohio will lose some of its major sponsors either because of retirement or voter-induced retirement, so they will likely have to start from scratch heading into 2021 if it does not get it across the finish line this year. Massachusetts probably has the best chance, but all eyes remain on the State Senate as they stopped the limited bill in the House back in July. Both lame duck sessions will be ones to watch in the coming weeks.

Massachusetts continues its thoughtful approach to gaming and has cooled the tempers in getting sports betting across the finish line before the election. This does not mean that it will not occur before the end of the year, but it is not on the fast track as it appeared at the end of the regular session. It, like other states, has run into a host of challenges, including a nationwide election which can typically put a pause on any major legislative activity. This happens at the state level as the focus shifts to the federal level.

One state that will not likely see movement is New York. While the legislative proponents continue to talk about the opportunity to move, the spectrum of options seems limited until Governor Cuomo decides to move forward. The study that was supposed to be released in June 2020, nearly six months ago, is yet to be seen with the Gaming Commission remaining as silent as the Governor on the issue. Until either party speaks and provides a pathway forward, all bets are off for any expansion in New York. While some still downplay the need to take this to the ballot, mobile wagering would be legal today if New York had taken the path that others have done this year. The only challenge for New York is to get out of its own way while its revenues are lost to the state of New Jersey.

While other states will not likely move in 2020, there is always the chance of a tribal gaming state moving forward, as was seen in Wyoming earlier this year. What is guaranteed is that 2021 will offer significant and robust discussions for sports betting and, to a lesser extent, iGaming in legislatures across the country.

ABOUT GLOBAL MARKET ADVISORS, LLC

GMA is the leading international provider of consulting services to the gaming, entertainment, sports, and hospitality, industries. The company provides clients with strategic planning, market feasibility studies, primary research, due diligence, general counsel, payroll control, operations analyses, government relations, crisis communications, responsible gaming initiatives, business and marketing plans, and reward program design. GMA also assists governments in developing public policy for integrated resorts, evaluating new markets and opportunities for public and private companies, and with due diligence for potential acquisitions. GMA's clients consist of the majority of public gaming companies, more than 75 Native American tribes, commercial and investment banks, and government agencies. The firm maintains active clients in Asia, the Americas, and Europe with offices located in Denver, CO; Las Vegas, NV; and Bangkok, Thailand. More information can be found by visiting www.globalmarketadvisors.com.

CONTACT INFORMATION

Brendan D. Bussmann
Partner, Director of Government Affairs
bdb@globalmarketadvisors.com

Jack Gallaway
Associate
jrg@globalmarketadvisors.com

DISCLAIMER

Global Market Advisors, LLC does not represent, through the information contained in this report, the views of any government, nor its agents, nor its officials, nor its affiliates. Global Market Advisors, LLC may, through its advisory and consulting relationships, financially benefit from the success of the subject matter discussed herein. Global Market Advisors, LLC is not a registered investment adviser in any jurisdiction, and it does not represent itself to be. Global Market Advisors, LLC does not provide any recommendations or opinions on financial securities. This research report was prepared independently and no entity other than Global Market Advisors, LLC financially supported the preparation, authoring, and distribution of this report. This research report does not constitute investment advice, financial advice, or advisory services. There could be gross errors contained in this report.

This report is non-specific in nature and no personal specific advice is provided within it. You, or the entity you are affiliated with, shall not use information in this research report as the basis for any decision-making process. Global Market Advisors, LLC, its officers, its members and the author of this report shall not be held professionally or personally liable for any errors or omissions contained herein and are hereby indemnified in full by your agreement with these terms. By accessing, reading, storing, distributing and archiving this research report, you hereby agree, fully, and without dispute, to all terms and conditions contained in this 'Disclaimer, Terms & Conditions of Use'. All terms and conditions herein shall be subject to the full and primary legal interpretation and jurisdiction by courts located in the State of Nevada, United States of America.

Global Market Advisors, LLC does not warrant or imply any guarantees or promises contained in this report; verbally expressed, either explicit or implicit. Global Market Advisors, LLC is a limited liability company formed and operating under the laws of the State of Nevada, United States of America.