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State Legislative Update on U.S. Sports Betting & Online Gaming – December 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](#).

Count the Votes

Some may believe that the counting of votes is related to the continuation of the November Election. As the November Election continues to take up the airwaves, states are certifying their results, leading up to the Electoral College vote that occurred on December 14th. While court challenges remain, the counting of votes in sports betting showed a wide passage of legislation to legalize the activities. November proved that voters took a strong stance showing that sports betting is supported by a plurality in these jurisdictions.

While this issue in normal times might seem like a simpler task, the challenge in counting votes when it comes to actually getting legislation passed becomes more important and is often the crux of the problem. In today's world, the art and science of counting votes is lost in the desire to assume that the public sentiment and popularity of sports betting will simply carry the day. A strategy of sheer hope will not get it across the finish line, as opposed to actually working the bill, listening to the facts of the situation, and providing a realistic view of its likely (or not likely) passage. As lame duck sessions occur and close before the end of the calendar year, this responsibility falls solely on the strongest proponents of sports betting that have pushed the issue towards the goal line. While everyone has their own game plan for legislative success, these groups are at the start of a two-minute drill at the end of the game, without necessarily knowing their field position.

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As with the legislative arena, sports continue to be affected by SARS-CoV-2. Games continue to be postponed and cancelled, and in some cases new contests have been created to fill the schedule, as seen with college football. The sports calendar continues to be as disruptive as the legislative process can and always will be. Legislatures, too, are facing the same challenges that sports teams have faced in terms of how they will conduct business. Creating bubbles is not an easy task when it comes to legislatures as it was when the NBA created its bubble. One of the challenges that exists in the current lame duck sessions, as well as the upcoming 2021 session, will be to increasingly rely on existing relationships, making the education component that much more challenging for new issues including sports betting and online gaming.

While this may sound like a broken record, sports betting continues to set records in the U.S. This is the case for a host of reasons. Most important is the continued access and interest in the sports wagering, as well as the dynamics of sports schedules that has added to the uptick. While revenue will continue to increase as markets expand, the normal calendar of sports will dictate the long-term opportunity and sustained growth that has provided unseasonal revenue peaks as the sports calendar has been condensed and modified due to the pandemic.

One of the keys to any market that continues to dominate the conversation is the ability to have mobile wagering. While not all markets have gone down this path, and others limit the ability of the market as seen in states like Nevada that still require in-person registration, mobile wagering is the best method to compete against the illegal market and provide the comfort, flexibility, defined user experience, and further consumer protections in sports betting (and online gaming). Based on publicly available data, mobile wagering on average encapsulated about 80% of revenue in those markets that offer it in some form. If any jurisdiction understands this better than anyone, it is Illinois where Governor Pritzker continues to kick the can down the road to allow mobile registration in the name of SARS-CoV-2.



U.S. Sports Betting Comparables - Select Markets

State	Timeframe	Sports Betting			Taxes	Total Gaming	Sports Betting	Sports Betting
		Handle (\$MM)	Revenue (\$MM)	Hold %	Collected (\$MM)	Revenue (\$MM)	% of Total Gaming	Win per Adult
Nevada	TTM October'20	\$ 4,330.0	\$ 227.8	5.3%	\$ 15.4	\$ 8,413.5	2.6%	\$98.07
Delaware	TTM October'20	\$ 60.0	\$ 8.9	14.8%	\$ 5.2	\$ 247.3	3.5%	\$13.08
New Jersey	TTM October'20	\$ 2,989.8	\$ 344.5	11.5%	\$ 43.3	\$ 1,651.2	17.3%	\$50.74
Mississippi	TTM October'20	\$ 359.5	\$ 35.1	9.8%	\$ 4.2	\$ 1,771.2	1.9%	\$16.28
West Virginia	TTM October'20	\$ 285.4	\$ 16.9	5.9%	\$ 1.7	\$ 421.5	3.9%	\$12.38
Pennsylvania	TTM October'20	\$ 3,196.1	\$ 144.4	4.5%	\$ 52.0	\$ 2,386.9	5.7%	\$14.91
Rhode Island	TTM October'20	\$ 227.2	\$ 20.6	9.1%	\$ 10.5	\$ 366.8	5.3%	\$25.41
Iowa	TTM October'20	\$ 501.9	\$ 32.4	6.5%	\$ 2.2	\$ 1,150.4	2.7%	\$14.03
Indiana*	TTM October'20	\$ 1,366.3	\$ 101.0	7.4%	\$ 9.6	\$ 1,418.2	6.6%	\$22.48
Michigan*	Since Launch (Mar'20)	\$ 96.0	\$ 14.1	14.6%	\$ 1.2	\$ 308.6	4.4%	\$2.81
Colorado	Since Launch (May'20)	\$ 670.0	\$ 40.3	6.0%	\$ 1.6	\$ 286.8	12.3%	\$18.51
New Hampshire	Since Launch (Jul'20)	\$ 127.6	\$ 9.1	7.2%	\$ 4.2	N/A	N/A	\$25.85
Washington D.C.	Since Launch (Jul'20)	\$ 35.7	\$ 5.5	15.3%	\$ 0.5	N/A	N/A	\$29.67
Average Without Nevada				7.8%			7.8%	\$19.25

Source: Global Market Advisors

* excludes tribal gaming revenues

Online gaming continues to make the same strides as sports betting in terms of revenue. It has provided a solid opportunity to cover for lost revenue resulting from closures and other limitations on brick-and-mortar facilities that have limited their revenue. As the Pennsylvania casinos have shut down again, look for additional online revenue to tick upward as it has over the past few months. Upon the return to normal economic conditions, which is likely still a year or more away, quality brick-and-mortar operators will likely see their online revenues supplanted once their former land-based revenue returns. The opportunity to further drive the industry between both land-based and online gaming is the key in a symbiotic relationship that will also feature social and free-to-play gaming in those jurisdictions that do not allow for online gaming. If done properly, this can enable operators to increase their levels of revenue and player loyalty, as well as offer a cheaper method of player acquisition.



New Jersey Online Gaming Revenues			
	TTM Oct'20	TTM Oct'19	% Change
Borgata	\$ 175,056,402	\$ 70,156,643	149.5%
Caesars	\$ 86,901,845	\$ 54,631,582	59.1%
Golden Nugget	\$ 301,625,234	\$ 160,178,748	88.3%
Tropicana	\$ 65,723,591	\$ 43,633,611	50.6%
Resorts	\$ 189,367,003	\$ 85,119,582	122.5%
Hard Rock	\$ 51,960,329	\$ 20,783,011	150.0%
Ocean Resort	\$ 8,891,775	\$ 5,678,607	56.6%
TOTAL	\$ 879,526,179	\$ 440,181,784	99.8%

Source: NJDGE, GMA

Pennsylvania Online Gaming Summary - TTM October'20	
Caesars	\$ 5,038,369
Mohegan	\$ 20,439,223
Mount Airy	\$ 77,412,484
Parx	\$ 53,952,662
Penn National	\$ 86,882,303
Presque Isle	\$ 2,603,830
Rivers Philadelphia	\$ 132,806,924
Valley Forge	\$ 73,103,838
Wind Creek	\$ 1,406,241
Live! Philadelphia	\$ 407,768
TOTAL	\$ 452,239,633

Source: PGBC, GMA

Delaware Online Gaming Revenues			
	TTM Oct'20	TTM Oct'19	% Change
Delaware Park	\$ 3,329,456	\$ 1,362,817	144.3%
Dover Downs	\$ 3,051,524	\$ 1,243,020	145.5%
Harrington	\$ 2,017,956	\$ 741,548	172.1%
TOTAL	\$ 8,398,935	\$ 3,347,384	150.9%

Source: Delaware Lottery, GMA

One item to watch in the upcoming 2021 Legislative Session, in addition to iGaming, is the movement of lotteries to get into the mix as they have with sports betting. Lotteries' foray into sports betting has not been successful as a whole (Oregon, D.C., etc.), but there are some potential bright spots with Tennessee and Virginia that are in their infancy. iLottery will be another topic that will arise as lotteries try to capture revenue through online gaming, both with lottery players and by expanding the universe to others.

GO BLUE / GO GREEN!

While most people in the state of Michigan likely do not want to talk about college football with the lack of performance from their Power 5 teams, online sports betting is finally on its way forward. After the Joint Committee on Legislative Rules waived the rules, mobile sport betting can move forward. Almost a year after the initial passage of both sports and online wagering, largely led through the effort of retiring Representative Brandt Iden, operators were recently approved to move forward. The Michigan Gaming Control Board approved the initial 15 licenses, including FanDuel, DraftKings, Rush Street, BetMGM, William Hill, PointsBet, Penn National, Wynn Interactive, and others. While the actions this week pave the way forward, mobile



wagering will not likely launch until early 2021, most likely the week of January 11th as the bureaucracy works through the final stages to launch.

ROCKY TOP SETS RECORDS

In the first eight days of November, Tennessee brought in \$27 million in handle. The three major operators in the market – BetMGM, DraftKings, and FanDuel – said it was one of their best opening kickoffs when it opened on the first NFL Sunday of November. In the opening day, handle alone was \$5.1 million. The fourth active operator in the market, Tennessee Action 24/7, continues to feel its way into the market but likely will not last with a lack of understanding of sports betting and competing with the larger operators. Significant credit is owed to the market for moving forward, and to the staff that kickstarted the process back in July to open the market this fall. While it continues to face challenges with its 20% tax rate and mandated 10% minimum hold, it could serve as an example to other states that do not have brick-and-mortar facilities in operation. The two biggest flaws of the market are the tax rate, which anything about 15 percent becomes challenging for operators, and the mandated hold. Any tax rate above 15% of gaming revenue becomes challenging for operators. The market should be the driving factor through competition, not through mandates.

MARCH MADNESS

North Carolina has had the ability to conduct legal sports betting since the spring of 2019 when the Legislature authorized sports betting. The goal was originally to launch at Harrah's Cherokee in early 2020. This was delayed largely due to the Great Shutdown. However, recent reports indicate that sports betting could start in North Carolina by March Madness, further bringing gaming expansion to the American South.

The wild card that still exists in North Carolina is the statewide study that was commissioned by the North Carolina Lottery almost 18 months ago but is yet to be released. The \$180K+ study that was designed to look at other alternatives for sports betting appears to be in a continued tug-of-war with the lottery and the legislature. At this point, a new study may need to be conducted considering the effects that the pandemic may have had on the market, as well as the various market opportunities that would offer further insight into how to best establish a potential extended market throughout the state.

O CANADA

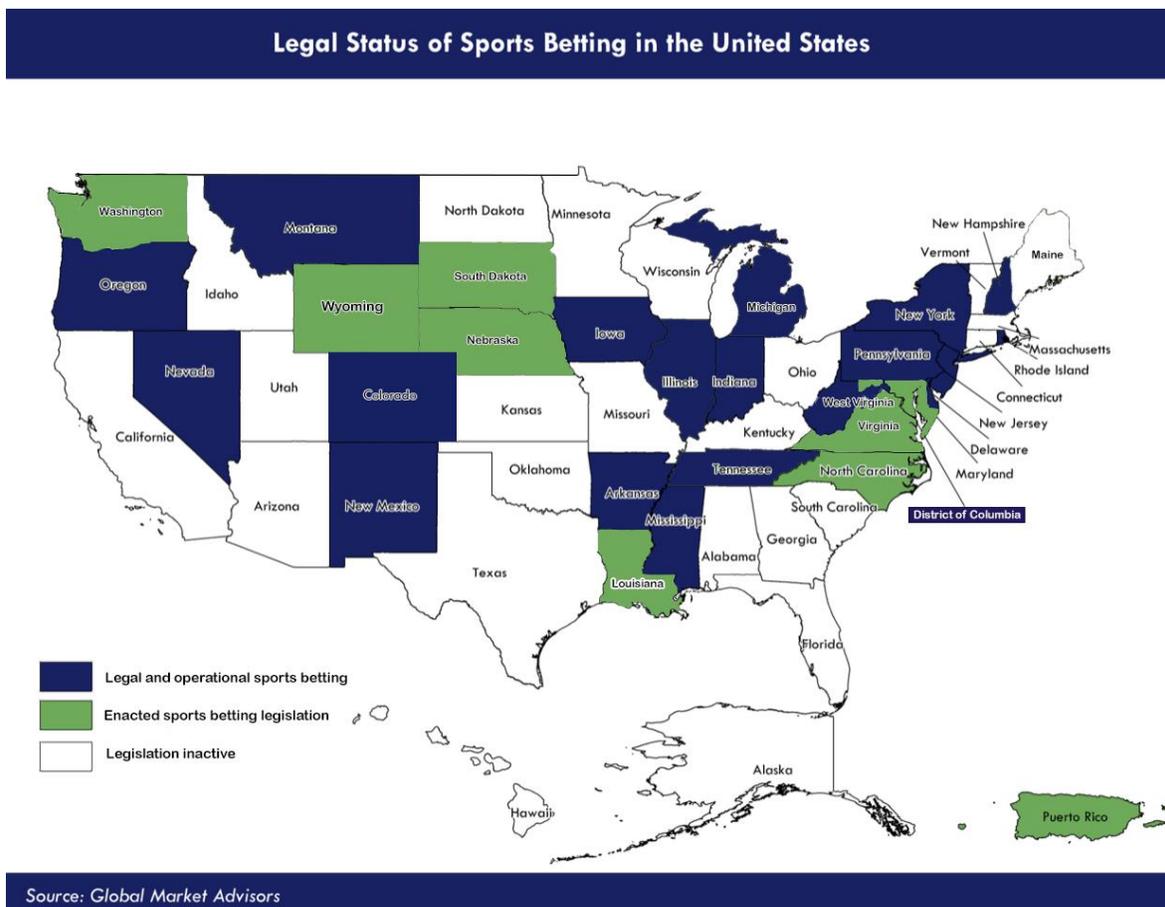
Since the repeal of PASPA, Canada has also started to go down the path to allow single-game sports wagering. Lead by the Ontario Government over the past couple of years, the movement for sports betting continues to push forward and may eventually allow a repeal of the existing federal ban. While there are several hurdles to overcome before this would be allowed,



proponents hope to have wagering available by the Fall 2021 sports season. While there has been a slight pause in the process for the bill, this appears to be the best opportunity for single wager sports betting in Canada that could likely go live by 2022. Canadian operator theScore would initially appear to have the market advantage, but look for large brands to enter the market just as they continue to expand throughout the United States.

DOTTING THE 'I' IN OHIO

With one week left in the legislative session, Ohio continues to debate the opportunity for sports betting in the Buckeye State. Having already overcome significant disagreements over the regulatory structure for a potential sports betting market, the Senate held another hearing this past week with potential passage of SB 111 on December 15th at the committee level. There are several legislative milestones that need to be achieved as the clock is ticking. The bill limits the market to only one skin for each land-based gaming facility, with governance in the hands of the Casino Control Commission. If Ohio has to punt on passage this year, it will have to start over in 2021, as not only do bills not carry over, but leadership on the issue will need to start over as many stakeholders will not be returning to Columbus for the next session.



THE BOY WHO CRIED WOLF

New York is one of the states that would have legal, online sports betting today had they just taken the issue to ballot when PASPA was overturned. However, they have been delayed due to political posturing and trying to take the “easy path” by listening to suspect legal opinions. Promises again are rising out of Albany that sports betting will be included in the budget, as well as part of a fiscal package for the state, which has seen significant downturn in revenue with a mass exodus from the Empire State over the course of this year. Unless the results of the vote in both chambers are veto-proof, or if the Governor has stated his support or allowance of it in the budget, it will be challenging to move forward. The lack of a statewide study also has failed to provide the cover necessary to allow this or other forms of gaming to help fill the budget gap. New York continues to show that while legislators attempt to move forward with a judicious plan for sports betting, they are leading the charge without an army behind them and are taking a potentially flawed approach of not bringing this to the ballot. It’s a story that has been told too many times over the last few years.

THE BAY STATE’S THOUGHTFUL APPROACH

Massachusetts is the last remaining state that could pass sports betting this year. It, like Ohio and New York, continues to have options on the table to move forward with sports betting, but consensus on a path forward seems murky at best between legislators and other stakeholders in the market. However, what seemed like a promising opportunity in July seems now to be diminishing hope that a compromise can be passed before the end of the session in the Commonwealth. Massachusetts has always taken a thoughtful approach to any expansion of gaming, and it appears that this process may take a little longer on the sports betting front. The key to this market, as with any other market, is to allow competition to drive the market and not to artificially limit the capacity by only allowing the existing licensees and some special circumstances for existing fantasy sports operators in the market, as seen in other pieces of legislation.

CALIFORNIA DREAMING

The tribes in California, through several SARS-CoV-2 challenges, have gathered more than enough signatures for land-based sports betting. The state required just under one million signatures, and the effort gathered roughly 1.4 million. It will take several months to verify all of the signatures, amazing considering we verified mail in ballots with signatures in the past election in short order. The question now becomes whether the issue will go to the ballot, or if the legislature will respond with its own measures, as well as how the tribes, tracks, card rooms, teams, and other stakeholders shoot it out. This is a longer haul than what most people believe, but one can look to the online gaming debate from ten years ago to see how muddy California



can get in trying to reach a compromise. GMA maintains that all roads to sports betting in California will rely on the tribes; this was further exemplified earlier this year when the Legislature tried to circumvent the tribes to see the bill go down in flames. Stay tuned.

WHO'S GOT NEXT

As 2020 comes to a close, there is a chance for a couple of states still getting across the finish line this year. However, those efforts seem doubtful considering the current timeline and the nature of the debate. Next year will be one where every legislature is in session, and there will likely be significant debates in most states that have not legalized sports betting to date. While Maryland, Louisiana, South Dakota, and Nebraska will have debates on their next steps, the all-important conversations at the legislative level have already begun leading into 2021.

While official projects and plans for 2021 will be unveiled in January, there are several states that will continue the discussions that have been ongoing for multiple sessions, including Massachusetts, Ohio, and New York. Other states that had their conversations cut short by the Great Shutdown include Missouri, Kansas, Kentucky, Georgia, Connecticut, and others. A greater question remains as to how other more heavily populated states like Texas, California, and Florida may move forward with sports betting. As previously mentioned, California will likely take the issue to the ballot but will likely be challenged by the card rooms. In Texas, there is a lot of smoke in the conversation for sports betting that hopefully will not be derailed by big and bold statements about casinos in the Lone Star State. Stay tuned as the new legislative season begins in just a couple of weeks.



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