

# MERGERS & ACQUISITIONS

The More Things Change, The More Things Stay The Same

By Brendan D. Bussmann

**A**s the gaming industry continues to evolve, so do the industry players, corporations, suppliers, and other stakeholders. The only constant among this group is that change thrives in this environment.

While some of the players may still look the same since before the pandemic, the hats they wear can vary, as seen with such a high volume of mergers, acquisitions, and other corporate activities over the years. Even through the pandemic, there was no stopping these continued efforts as companies either were slowed by the initial Great Shutdown or sought new opportunities to move forward.

In 2021 alone, the industry has seen a sampling of this activity including the sale of the Palms in Las Vegas by Red Rock Resorts to the San Manuel Tribe; the sale of the Venetian, Palazzo, and Sands Expo by Las Vegas Sands Corp. to Apollo; the acquisition of William Hill by Caesars Entertainment that triggered the sale of the William Hill non-U.S. assets; and the spinoff of the Wynn Interactive division of Wynn Resorts into a special purpose acquisition company (SPAC) with William Foley's Austerlitz Acquisition Company. This also includes other acquisitions in the sports betting space, as affiliates such as Better Collective completed its acquisition of the Action Network.

While some of these seem like major moves, it is similar to many transactions in the past such as the merger years ago between MGM and Mirage, and the subsequent merger with Mandalay Resort Group (Circus Circus Enterprises) through land-based M&A.



The biggest deal of the year clearly is the sale of the Venetian, Palazzo and the Sands Expo Center by Las Vegas Sands to Apollo Global Market and the REIT, VICI

In the supplier world, major players such as Scientific Games had over the years acquired Don Best, NYX Gaming Group, Bally Technologies (which had previously acquired SHFL Entertainment), and WMS. The gaming industry has seen continual change through mergers and acquisitions as it has continued to grow and evolve. It is one of the more dynamic industries that allows this to occur because of its adaptability in the marketplace.

## Twin River Transition

A little over a year ago, most would not have recognized the transformation of Twin River Worldwide Holdings into the Bally's Corporation that exists today. As highlighted in the May 2021 issue of the *Global Gaming Business*, Bally's Chairman Soo Kim has been on a mission to build the company from its small roots into a robust operation that now stretches across 15 states.

A little over a year ago, industry insiders would have scoffed at the notion that Twin River would be the company it is today and the aggressive player that it is in the market. The company that began with two small locations in Rhode Island, with its roots dating back to Sol Kerzner and Len Wolman, now has turned into a corporation under the Bally's brand that includes casinos, horse racing, sports betting and interactive gaming.

Looking at the acquisition run over the last year, the activity of Bally's has been more than robust. In 2021 alone, Bally's has aggressively engaged with several companies, including the recently closed acquisition of Bet. Works to solidify their interactive platform.



DraftKings used a special purpose acquisition company (SPAC) to go public in 2020

The purchase of the Tropicana in Las Vegas is just one of the recent moves by the new Bally's Corp. since it transitioned from the former Twin River Worldwide Holdings

Bally's understands the importance of its standings as a corporation in the gaming world by desiring a Nevada license and a place on the Las Vegas Strip with the Tropicana. This was done through a deal with Gaming and Leisure Properties, Inc. (GLPI), the real estate spinoff of Penn National Gaming. The pending transaction still needs regulatory approval, but provides Bally's a strong point of access on the corner of Las Vegas Boulevard that is within earshot of Allegiant Stadium and the future stadium district, which could provide additional opportunities surrounding the Tropicana.

Additionally, Bally's just closed its deal with Caesars for the acquisition of the Tropicana Evansville in Indiana.

While the acquisitions provide two solid platforms for the land and interactive foundations for Bally's, this does not show the reach they have also covered in 2021 through additional acquisitions. This includes Monkey Knife Fight, a daily fantasy sports-based company, and Montbleu Resort from Caesars.

Bally's was the biggest beneficiary of the merger in 2020 between Eldorado and Caesars Entertainment, as it acquired multiple properties out of this M&A activity that helped expand its footprint to cover 11 states, soon expanding to 13. Bally's continues to push the envelope, as it made a strong effort to land the Richmond, Virginia casino license in a strange selection process. It has also been mentioned as a potential contender to submit for licenses in Chicago and New York.

Based on the efforts over the last year, Bally's is far from done with either charting its own path or looking at M&A activity to grow upon its rapidly expanding base with a chairman that does not tend to rest on his laurels.

## REITs and SPACs

As highlighted above, real estate investment trusts (REITs) and SPACs are playing an integral role in the M&A space. REITs that have taken hold as a vehicle for the gaming industry over the last several years have allowed major gaming companies to unload some of their assets and focus on operations. While continuing to operate these casinos and resorts, the land and assets are transferred into these other companies that have partnered in some cases with private equity firms.

Some of the more significant REITs include GLPI, MGM Growth Properties (MGP)—a partnership between MGM Resorts International and Blackstone—and VICI Properties, which includes several casino brands including Caesars Entertainment, Jack Entertainment and others.

One of the biggest pending acquisitions by a REIT and private equity firm was announced earlier this year with the sale of the Venetian, the Palazzo and Sands Expo by Las Vegas Sands Corp. This was a landmark sale of iconic properties that have been affixed on the Las Vegas Strip since opening in 1998 on top of the rich history of the original Sands Hotel. The vision that was created and instilled by the late Sheldon G. Adelson changed the landscape of the Las Vegas Strip by building a model on non-gaming and convention-centric business.

The deal is a \$6.25 billion combination between Apollo Global Management and VICI. Apollo will acquire the operating company of the Venetian for \$2.25 billion, and VICI will acquire the land and real estate assets for \$4 billion. The sale also includes the \$1.8 billion Sphere, the Madison Square Garden (MSG) project that is currently under development. Apollo is no stranger to the gaming industry, as it has previous relationships with Caesars Entertainment, as well as current relationships with Great Canadian through IGT's Lottomatica.

SPACs have also been used as a vehicle for M&A activity in the gaming industry. Many companies have used this as a vehicle to take a company public, or as a tool for acquisition. One of the most front-facing examples of this was taking sports betting giant DraftKings to market in 2020. This allowed DraftKings to grow as a sports betting and fantasy sports company with a technology platform in SBTech to combine and go public at once. The partnership that was announced in late 2019 was acquired by Diamond Eagle Acquisition Corporation.

Other key examples are the creation of an acquisition company by Affinity Gaming (Gaming & Hospitality Acquisition) in partnership with Z Capital Group, or using a SPAC to take Sportradar public.

## Sports Betting and iGaming

As the U.S., and frankly the rest of the world, looks at sports betting and online gaming as an expansion opportunity, this provides the space where operators, suppliers, media companies and other stakeholders are all looking for a piece of the activity. The sectors are starting to blend together as more and more outside companies see the opportunity to play a part in the gaming industry. It also allows existing players the opportunities to blend operations between platforms, land-based operations, and other key assets.

Some of the more recent examples include the combination of the Stars Group and FanDuel under the Flutter Entertainment umbrella, the previously mentioned acquisition of SBTech by DraftKings, and the most recent acquisition of William Hill by Caesars Entertainment. This also has allowed companies like Wynn Resorts that previously had not had a strong presence in the sports betting and online gaming space to place a stake in the ground with its initial acquisition of Bet Bull as a platform as it sought expansion across the United States. This was further exemplified as it spun off its newly formed interactive division into a SPAC with Bill Foley to further allow expansion beyond the borders of the United States.

Media has also played a role in the M&A space, as seen in 2020 with the acquisition of Barstool Sports by Penn National Gaming. The effort has transformed the Penn National experience as it looks not only to take the Barstool media platform online, but also to incorporate the atmosphere into their land-based efforts. Additionally, Bally's acquired the rights to relaunch the old Fox Sports Regional Network under their brand, which will provide further synergies with the Bally's brand. DraftKings recently acquired VSiN (Vegas Sports Information Network), a multi-platform broadcast and content company that was started to provide sports betting news, analysis and data to the sports betting market. DraftKings also recently acquired Blue Ribbon Software, which includes jackpots and gamification tools to enhance the customer experience across the sports betting and iGaming platforms.

Operators are looking for additional tools to enhance their platform and customer experience across all sectors, from suppliers to media companies. While focused largely on the sports betting and online gaming space, some organizations are looking to position themselves in the fixed-odds wagering space, specifically aimed at attracting a new customer to the racing industry. One recent acquisition was done by PointsBet, which is familiar with fixed-odds wagering because of its roots in the Australian market. It recently acquired advanced deposit wagering operator Premier Turf Club and BetPTC.com to expand its presence in this future market.

Whether it is through traditional means of companies completing transactions through mergers and acquisitions or through the spinoff of a division or a company into a SPAC or a REIT, it continues to show that the industry is maturing and is on par with any other industry in how it handles transactional business. The opportunity for growth continues as the industry expands beyond its roots through the incorporation of technology, media and other opportunities.



PointsBet is the official sports betting partner of the National Hockey League

## Investment Intensification

While not all of this is strictly M&A activity, investment and partnership in the sector continue to fuel additional activities, including partnerships with teams, leagues and media companies. Many of these deals include partial ownership of an operating company. One of the first major ones was with NBC Sports, which invested in PointsBet through its multi-year partnership.

PointsBet also now has a partnership with the NHL that provided them with an equity stake.

Other media companies and communities such as theScore continue to increase their footprint by looking at other opportunities in the space. Affiliates and media companies are also seeing M&A activities such as the recently closed Better Collective and Action Network that have merged to increase their footprint in the sports and online sector.

While 2021 has seemed like a busy year to date, it has been critical to the evolution of the gaming industry that will continue well in the future. Whether it is through traditional means of companies completing transactions through mergers and acquisitions or through the spinoff of a division or a company into a SPAC or a REIT, it continues to show that the industry is maturing and is on par with any other industry in how it handles transactional business. The opportunity for growth continues as the industry expands beyond its roots through the incorporation of technology, media and other opportunities.

The M&A activity also allows access for investors that may have traditionally not focused on the gaming industry. The challenge some of these individuals will face is understanding the high standards that exist in the regulatory arena in the industry. While some of these M&A activities have led to consolidation in parts of the industry, they have expanded overall as entrepreneurs lead new initiatives that push the industry forward through innovation.

The activity of today will continue to evolve in pushing the industry forward. The more things change, the more they stay the same.

*Brendan D. Bussmann is a partner and director of government affairs with Global Market Advisors (GMA).*