



Global Market Advisors

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Creating Dynamic, Competitive Sports Betting Markets

July 2020

Over two years ago, the Supreme Court of the United States overturned the Professional and Amateur Sports Protection Act (“PASPA”). In overturning PASPA, the Supreme Court has allowed states to begin to regulate sports betting across the country. As of today, there are 19 legal sports betting jurisdictions in the United States, with five others working through regulations and another three states seeking voter approval.

As each of these 19 sports betting markets have been created, there is a direct relationship between the revenues generated and how the markets were initially crafted, including factors such as tax rates, the depth of competition, and the ability to offer mobile wagering. This research brief highlights the revenues generated in those states that were among the first movers to the market following the repeal of PASPA. Those states that have shown the highest revenue generation and a competitive tax rate are those that are leading the effort across the United States. New Jersey continues to be the model versus states such as Rhode Island and Delaware that continue to struggle.

U.S. Sports Betting Comparable Summary

State	Timeframe	# Skins	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 (1)	TTM March'20	202	\$ 4,514.8	\$ 305.6	6.8%	\$ 20.6	\$ 11,710.9	2.5%	\$132.22
New Jersey	TTM May'20	19	\$ 4,261.4	\$ 296.0	6.9%	\$ 36.5	\$ 2,154.5	12.1%	\$43.69
Rhode Island	TTM May'20	1	\$ 230.3	\$ 21.5	9.3%	\$ 11.0	\$ 538.2	3.8%	\$26.60
Indiana (3)	Since Launch (Sept'19)	12	\$ 962.2	\$ 78.5	8.2%	\$ 7.5	\$ 1,162.4	6.3%	\$19.34
Mississippi	TTM May'20	29	\$ 330.4	\$ 38.2	11.6%	\$ 4.6	\$ 1,739.6	2.2%	\$17.74
Delaware	TTM May'20	1	\$ 76.8	\$ 11.9	15.4%	\$ 6.7	\$ 333.7	3.4%	\$15.84
Iowa	Since Launch (Aug'19)	19	\$ 368.0	\$ 25.7	7.0%	\$ 1.8	\$ 924.6	2.7%	\$13.37
Pennsylvania	TTM May'20	10	\$ 2,242.4	\$ 109.1	4.9%	\$ 39.3	\$ 3,023.5	3.5%	\$11.28
West Virginia	TTM May'20	5	\$ 173.9	\$ 14.0	8.0%	\$ 1.4	\$ 524.3	2.6%	\$10.19
New Mexico (2)	TTM May'20	4	--	--	--	--	--	--	--
Average Without Nevada					6.9%			5.7%	\$21.45

Source: Global Market Advisors

(1) April 2020 revenue data redacted by the State; (2) New Mexico is tribal only, no publicly available statistics; (3) Indiana revenues are exclusive of tribal gaming

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LOW TAXES DRIVE MARKETS

Taxation is one of the most important issues that can lead to the success or failure of a market. As GMA has completed numerous studies across the country on behalf of gaming operators, tribal organizations, associations, and governments, any gaming tax above 15% can make it difficult for sports betting operators to effectively compete in the market. This includes various tax scenarios that have been introduced in states to address brick-and-mortar vs. mobile and mobile offerings, as well as both a state and local share of revenues. To date, no state has ever allowed an “integrity” fee, a money grab by the leagues that have fought against sports betting for over two decades. The table below illustrates sports betting tax rates in select markets across the United States.

Pennsylvania, Rhode Island, and Delaware have instituted some of the highest tax rates and have been some of the most challenging markets for both operators as well as the states themselves. Only Pennsylvania has established a competitive model, whereas Delaware and Rhode Island are among the lowest performers. States such as Nevada, New Jersey, and Iowa offer some of the lowest tax rates and also have maintained some of the most competitive and open markets. A competitive market is key to a robust legal sports betting market to compete with the illegal market.

U.S. Sports Betting Tax Rates	
Nevada	6.75%
Iowa	6.75%
New Jersey	8.5% - 14.25%
Indiana	9.5%
West Virginia	10%
New York	10%
Mississippi	12%
Pennsylvania	36%
Rhode Island	51%
Delaware	60%

Source: GMA

COMPETITION DRIVEN BY THE MARKET

The success of a market will be dictated both by the operators in the market as well as the regulatory structure that is established. An ideal sports betting market would be attractive to a wide range of well-known operators and allow for innovation to occur. As with any free market, competition helps drive this innovation, bringing additional revenues, adding direct and indirect investment, and building a robust market. It also allows consumer choice through competitive pricing, driving these same individuals away from the black market.

The best example of a market that allows for competition is New Jersey that has allowed multiple brands and skins into the market and created one of the most diverse overall sports betting offerings. This market allows more than the existing brick-and-mortar operators into the market, and the revenue generated from those multiple operators continues to increase the revenue as the effective competition within the market against the illegal market.

Markets that show problems are those that offer only a few operators, if not a monopolistic approach that does not drive innovation or competition to the market, making it stagnant. Once again, states such as Rhode Island and Delaware are the examples of how not to draft a market. Both states take a monopolistic approach in partnering with the state lottery and a single



provider of the sports wagering platform. The revenues for these states have been less than lackluster, and this will continue to be the case until competition comes to market along with other changes to the regulatory structure. States like Pennsylvania that limit their market to existing operators allow for further constriction on the market, limiting its full potential.

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Source: Global Market Advisors

MOBILE WAGERING DRIVES COMPETITIVE

Sports betting has faced its challenges over the last few months due to SARS-CoV-2. Of the states that allow mobile wagering, the most robust jurisdictions are those that allow mobile registration and mobile payment, offering a true mobile experience such as those found in New Jersey, Pennsylvania, and Indiana. Nevada and other states still require in-person registration and account funding either in person or via a kiosk. While the casinos were shut down in Nevada earlier this year, several operators started to open drive-thru locations, in some cases in their hotel porte cochère, to allow players to refill their accounts so that they could continue to wager.

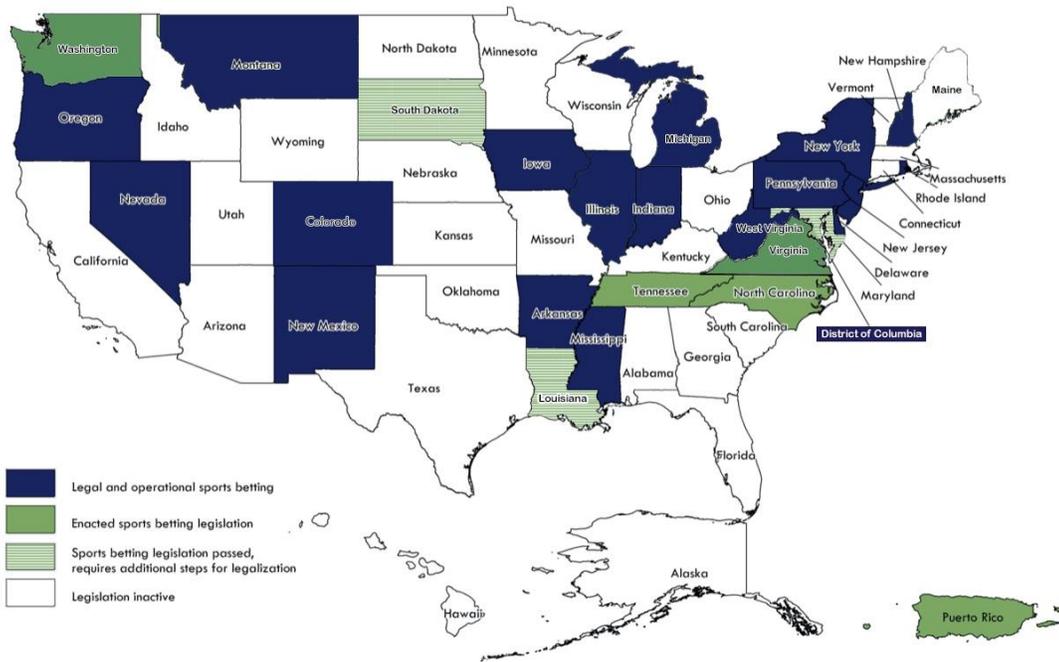
New Jersey continues to be the model as it allows sports bettors to participate through mobile applications as soon as they are located within the state. This includes allowing mobile registration and mobile payments, the most effective way to compete against the illegal market and bring access to the sports bettor. Nevada and other states need to make changes to their mobile regulations to allow these options in order to avoid any incidents with payments, such as when casinos were shut down or when a player lacks the ability to register in-person, which only drives people to the illegal market.

SUMMARY

By the end of 2020, a majority of jurisdictions in the United States could have legal sports wagering. As additional jurisdictions look toward legalization, they must remember that it is no longer about being first to market or rushing to beat a neighboring state. At this point, it is about establishing the right process to combat the illegal market and allow operators to compete in a robust marketplace that allows for innovation and true competition. Stakeholders must also recognize that the market should not be limited only to existing operators, and that revenue that has been lost in illegal markets can be recaptured by the state. Integrity exists in the laws and regulations that govern a market, and stakeholders can create a solid foundation for sports betting by educating themselves from the beginning.



Legal Status of Sports Betting in the United States



Source: Global Market Advisors

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