

ENR North
America

October 2021

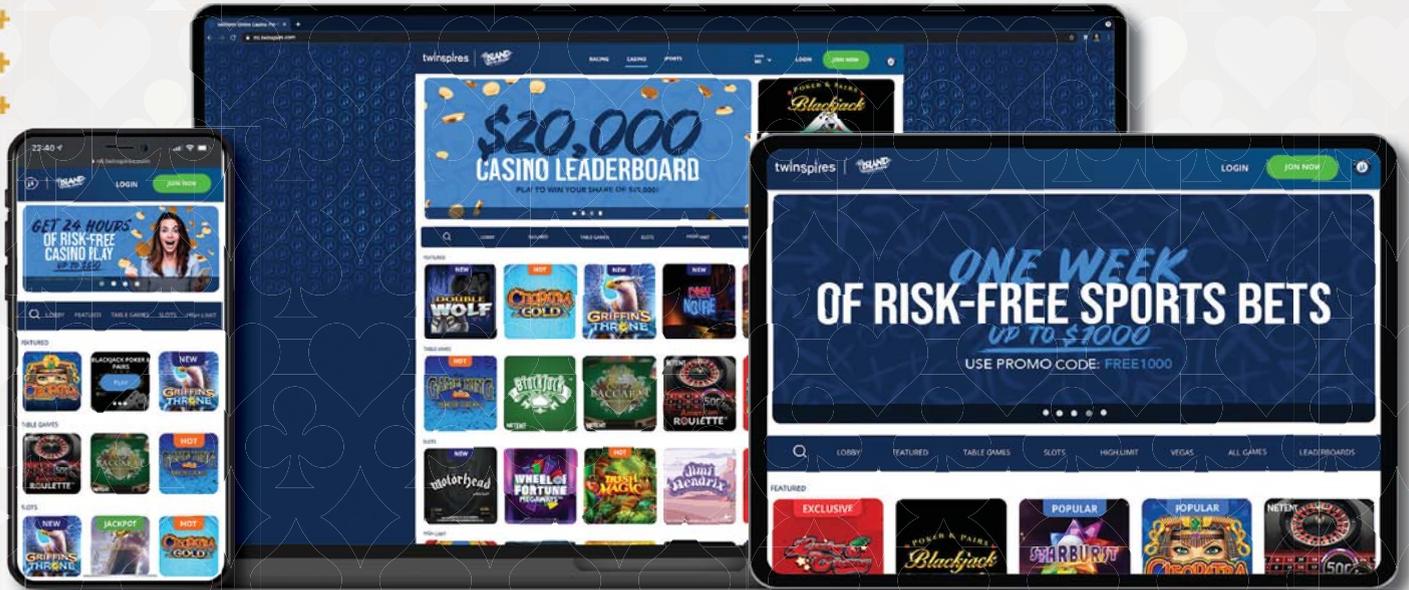


Quarterly Report

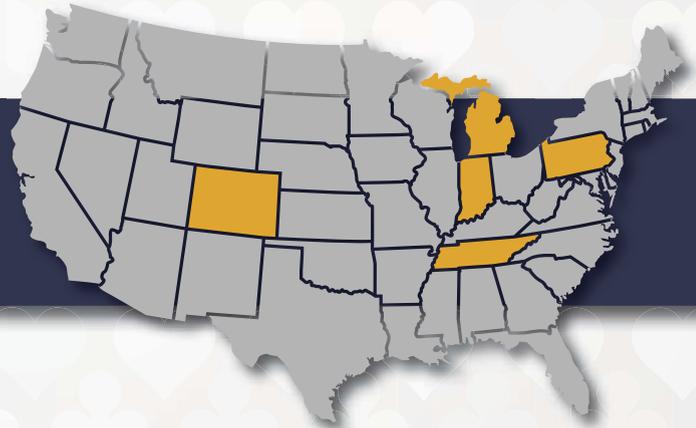
- BetMGM's Adam Greenblatt
- Eilers & Krejcik Gaming's market trends
- New Jersey slots tracker
- Operator earnings spotlight
- Corridor Consulting's John Pappas

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/EDITOR'S LETTER/

This issue...



Awarm welcome to the very first *EGR North America Quarterly Report*. It is perhaps fitting that the digital replacement of the *EGR North America* magazine coincides with both my appointment as editor and the biggest period of change and consolidation in the US online gambling market so far.

With this new report, we will focus on providing our readers with the latest data-driven insights, analysis, and key features that made the previous magazine great, but in an easy-to-digest and easily accessible format.

With online sports betting continuing its phenomenal growth trajectory going into the new NFL season, which promises to be the biggest and most important in the sector's short history, new states for sports betting have emerged in time for kick-off, including Arizona, Washington, and South Dakota, while the contest for coveted licenses in New York is shaping up to be an interesting one for industry observers.

Two other battlegrounds are emerging in Florida, where operators have challenged the validity of the state's latest tribal gaming compact with the Seminole tribe, and California, where the likes of DraftKings, FanDuel, and BetMGM are trying to force their way into sports betting via 2022 ballot initiatives.

At the same time, US operators have embarked on a flurry of consolidation deals, with DraftKings acquiring Golden Nugget Online Gaming, Penn National Gaming snapping up Toronto-based US operator theScore, and more recently DraftKings busy again, which surprised the entire sector, proposing a takeover of Entain.

This inaugural report features data-led insights from Chalkline, Eilers & Krejcik Gaming, and SEO specialist firm ICS-digital, as well as the latest slots rankings, gaming stock movements, a state-by-state snapshot, operator financial results, and the views of sports betting education app Sharp and industry veteran John Pappas.

If that wasn't enough, BetMGM CEO Adam Greenblatt features in our inaugural big-name interview as he discusses the operator's rapid rise and the ins and outs of the joint venture between MGM Resorts and Entain. To stick with the NFL theme, it's an impressive starting lineup for the first report.

Editor
Robert Simmons



Rapid US Growth Through Unrivalled Speed to Market

- NEW
- ACTIVE
- COMING SOON

Our rapid expansion across North America continues, offering a first-to-market solution that enables customers to capitalise on this fast-growing and rewarding market.

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Nick Nally | Managing Director – Americas | nick.nally@continent8.com

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- WYOMING

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- TORONTO

LATIN AMERICA

- ARGENTINA
- COLOMBIA
- MEXICO
- URUGUAY

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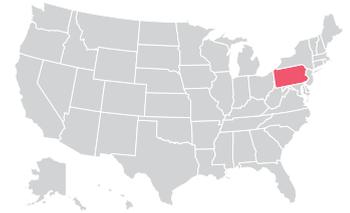
John Pappas, CEO of Corridor Consulting, examines the journey towards Ohio's legalization of sports betting





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Pennsylvania betting and gaming tracker



When was sports betting regulated?

Pennsylvania signed a sports betting bill into law back in October 2017, ahead of the repeal of PASPA, as part of broader regulation that also included online casino, poker, and DFS. Online sports betting went live at the end of May 2019, while online casino has been available since July 15, 2019.

Regulator details

Pennsylvania Gaming Control Board
PO Box 69060
Harrisburg, PA 17106-9060
pgcb@pa.gov
<https://gamingcontrol-board.pa.gov>
Chairwoman: Denise J. Smyler

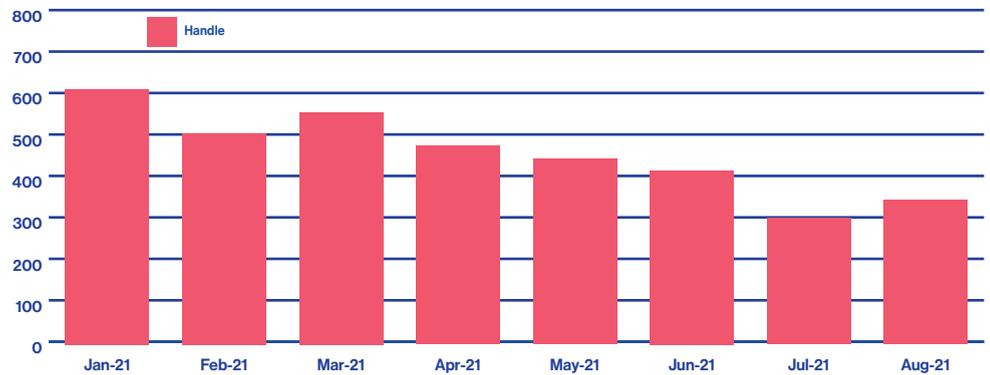
Is sports betting permitted online?

Pennsylvania's 13 licensed land-based casinos had the opportunity to apply for a sports betting license, which permits them to accept wagers on-site as well as online. Racetracks are also allowed to accept sports wagers.

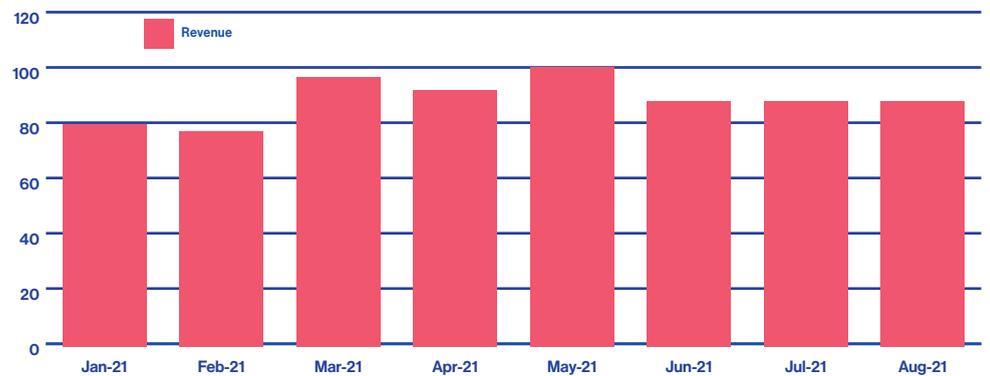
Is online registration required in person?

No.

Monthly sports betting handle – B&M and online combined (\$m)



Monthly online gaming revenue – slots, tables, and poker combined (\$m)



Go live date
May 2019

Online casino live since July 2019



Sports betting handle
\$348.5m

Data from August 2021



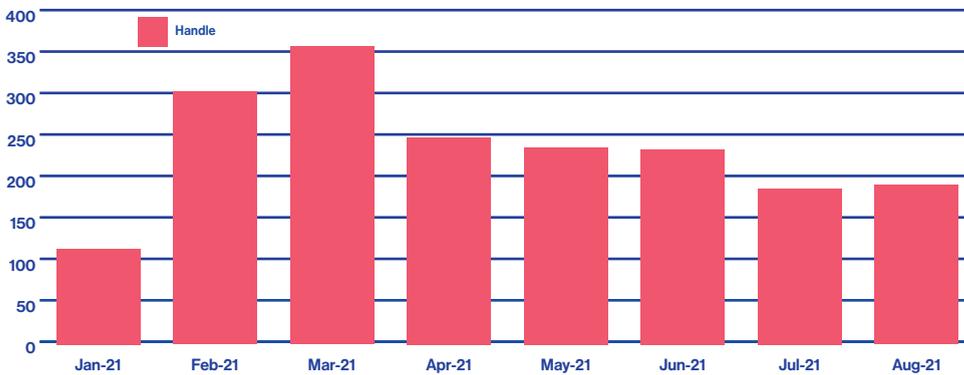
Population
12.8 million



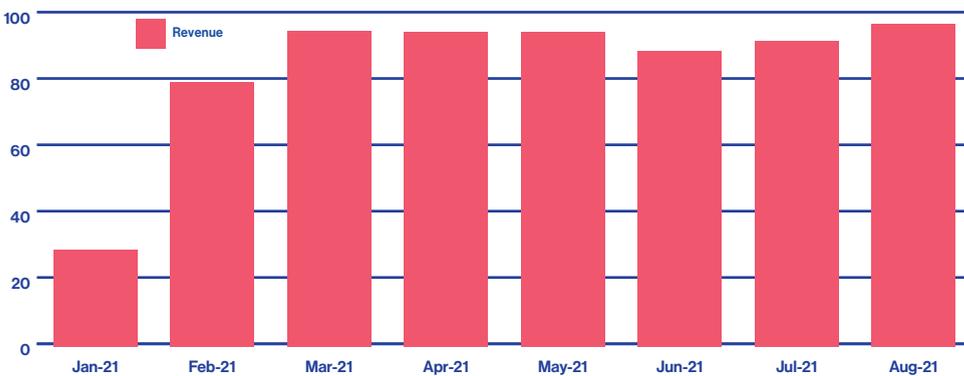
Michigan betting and gaming tracker



Monthly sports betting handle (\$m)



Monthly online gaming revenue (\$m)



When was sports betting regulated?

The final bill was passed in December 2019, legalizing mobile and retail betting in the state, as well as online casino and poker. Betting went live in March 2020, with retail being rolled out first and online sports betting, casino, and poker launching on January 22, 2021.

Regulator details

Michigan Gaming Control Board
3062 West Grand Boulevard, Suite L-700
Detroit, MI 48202-6062
MGCBweb@michigan.gov
<https://www.michigan.gov/mgcb>
Executive director: Henry Williams

Is sports betting permitted online?

Yes, mobile betting was legalized in December 2019. There is no requirement for in-person registrations.

Is there any specific legislation for DFS?

DFS was included in legislation passed in 2019.

What is the current sports betting tax rate?

8.4% on all operator adjusted gross sports betting receipts.



Go live date
Jan 2021



Sports betting handle
\$192.3m

Data from August 2021



Population
9.9 million



Earnings spotlight

DraftKings Q2 2021



In its latest set of financial results, DraftKings reported a 297% year on year pro forma revenue rise. DraftKings confirmed escalating business expenditure of \$425m and a net loss of \$305m (down from \$520m in 2020).

DraftKings CEO and co-founder Jason Robins discussed its wider expansion into media partnerships and more recently through a new NFT marketplace. "We believe these expansion opportunities will enable us to further grow our customer base and generate additional revenues through cross-selling to our existing players," Robins said.

\$298m

Revenue in the second quarter

297%

YOY pro forma revenue growth in Q2

\$305m

Total net loss

281%

Monthly unique players growth

Flutter Entertainment H1 2021



Flutter Entertainment US reported a 166% year on year increase in average monthly player (AMP) numbers during the first half of 2021 to 1.5 million.

The business said it claimed 31% total market share in the US during Q2, driven by a sports betting market share of 45%, along with an igaming market share of 20%.

The business enjoyed successful state launches in Michigan (sportsbook and gaming) and Virginia (sportsbook). Over 2.2 million sportsbook and gaming customers have been acquired to date.

\$652m

Pro forma revenue in H1 2021

159%

Revenue increase YOY in H1 2021

£87m

Total EBITDA loss

36%

Rise in DFS/TVG racing revenue

Penn National Gaming Q2 2021



Penn National Gaming CEO Jay Snowden hailed a strong Q2 2021 for the Barstool Sportsbook operator, mainly driven by strong demand from its core business and a more efficient cost structure.

Addressing the firm's sports betting vision, Snowden explained: "We are making great strides in the planned rollout of our Barstool Sportsbook. By the end of the year, we plan to be operating in at least 10 states."

These plans will no doubt be accelerated by its \$2bn acquisition of theScore, which is set to complete in Q1 2022.

\$1.5bn

Revenue in the second quarter, up 13% on Q2 2019

10

Number of states PNG expects to operate in by the end of 2021

\$199m

Net income, a rise of 237% on Q2 2019

\$470m

Adjusted EBITDA, up from \$326m two years ago

Rush Street Interactive Q2 2021



Rush Street Interactive marked the quarter with two key deals: the first to become the sports betting partner of the Connecticut Lottery Corporation, and the second, an exclusive casino content deal with Boom Entertainment.

Discussing the Q2 results, Richard Schwartz, CEO of RSI, said: "Our ongoing commitment to improving the player experience by enhancing the quality of our mobile apps and sites, coupled with solid execution on our marketing programs, has led to continued impressive paybacks, along with strong conversion and retention rates."

89%

Increase in revenue YOY to \$122.8m

\$36.9m

Adjusting advertising and promotional costs

\$14m

Net loss, compared with a net loss of \$50.6m in the same period of 2020

\$377

Average revenue per monthly active user (ARPMU)



10 \

Data analysis

US sports betting

The month in US sports betting

Chris Krafcik and Chris Grove from Eilers & Krejcik Gaming analyze the latest market and policy movements across the regulated US sports betting landscape

FanDuel pacing the market

In the table across the page, we show our proprietary estimates of online sports betting gross gaming revenue (GGR) on a by-brand, by-state basis in the three-month period through July 2021. FanDuel is winning the biggest markets – Illinois, New Jersey, and Pennsylvania – which is helping it win the national market. Indeed, the Flutter-owned firm currently has 43% national GGR share, according to our tracking, which includes the low-visibility markets of Nevada, Colorado, and Virginia.

DraftKings eyeing up fuboTV?

This could-be acquisition is the latest indicator of DraftKings' interest in plumbing the intersection of sports betting and media – and in potentially establishing a media enterprise.

In fuboTV, DraftKings would get a streaming television service with a growing base of nearly 700k subscribers through which it could play the sync-your-betting-app-with-your-TV concept that fuboTV is piloting; in this respect, a fuboTV acquisition would appear to be an extension of DraftKings' own bet-through-your-TV strategy, which it is executing via a recently inked partnership with DISH Network.

Meanwhile, a deeper, flagship-style

VSIN integration at fuboTV (through which DraftKings-owned VSIN is already offered) raises interesting possibilities. As do fuboTV's existing subscription and advertising revenue streams, which the company expects to generate a combined \$516m this year (or +116% year over year).

//

“fuboTV won't come cheap; indeed, the company's enterprise value at the time of writing was \$4.1bn, or 8x projected 2021 revenue”

//

DraftKings, for its part, would offer fuboTV what it lacks on the sports betting side – namely, brand recognition, a sizable market-access footprint, and an in-house technology platform (we hear fuboTV's forthcoming sports betting app will utilize Amelco source code).

Mash all of this together, and DraftKings-fuboTV is a not-uninteresting strategic combination. But we do note that with fuboTV, DraftKings would be putting itself behind a paywall, which is non-optimal from a user-acquisition perspective.

We also note that in the current climate of frothy sports betting (or sports betting-adjacent) valuations, fuboTV won't come cheap; indeed, the company's enterprise value at the time of writing was \$4.1bn, or ~8x projected 2021 revenue. We also note that heavily

loss-making DraftKings would be acquiring in fuboTV another business that is currently heavily loss-making.

TheScore's stack rumored to be running on Kwiff code

Since theScore recently announced that it would be launching on its own tech, questions about the provenance of that tech have come in thick and fast. And we understand the company bought source code from Kwiff to build on itself.

Kwiff is an online sports betting operator. It has licenses in the UK and Malta and was founded by former Unibet creators Anders Ström and Karl Engström. The brand targets a more casual demo, with 'random' odds boosts a key feature of its product. The Kwiff technology received some mixed reviews from industry channel checks – “fine but untested by heavy volume” was a typical response.

As for the general idea of riffing on acquired code, it's a popular one in the US at the minute. Fox Bet iterated atop of Amelco source code; Hard Rock and fuboTV, meanwhile, are rumored to be doing the same. This is a strategy that has proved successful in the past for others, and much of the UK online sports betting industry is built out on top of third-party technology.

The first high-volume test of theScore's new tech will likely come in Q4 2021 or Q1 2022, when we expect the brand will launch in Ontario.



Big online sports betting brands cooperating to corner markets

This summer, we've noted the emergence of a new trend in operator legalization strategy, in which major sports betting brands that usually compete for market access and share are cooperating to acquire access for themselves, thereby delaying or shutting out altogether newer and up-and-coming brands that could collectively erode their market share.

In Florida, the DraftKings- and FanDuel-backed ballot initiative would expand a tribal-only market to include commercial online operators, but, critically, the first 12 months of operation (beginning no later than July 2023) would be restricted to brands "authorized to conduct online sports betting in at least 10 states for at least one calendar year."

Any brand that didn't make the cut for the July 2023 launch (but managed to be licensed in at least 10 states for all of 2023) could launch a year later, but it would be difficult, if not impossible, to contest a year-old market completely controlled by established brands. Per our tracking, DraftKings, FanDuel, BetMGM, and Caesars are on track to make the cut for the first wave. Barstool, TwinSpires, and BetRivers are in 'maybe' territory, and most other brands are likely to be relegated to the second wave – if they make the cut at all.

In New York, DraftKings, FanDuel, BetMGM, and Bally Bet responded to the Gaming Commission's Request for Applications with a single bid designed to, in FanDuel's own words, "eliminate the need to select any other proposals." The proposal is stacked with initial license fees totaling \$100m, a revenue-sharing scheme projected to deliver \$600m to the state annually at market maturity, and a brand selection that includes the current top three brands in the US, which, per our estimates, currently control about 73% of the national online market.

US online sports betting revenue leaderboard: FanDuel pacing the market

Market	Top brand	Trailing three-month online GGR (estimated)	GGR share
Colorado	BetMGM	\$16.2m	32%
District of Columbia	GambetDC*	\$1.6m	100%
Illinois	FanDuel	\$55.2m	48%
Indiana	FanDuel	\$22m	41%
Iowa	DraftKings	\$6.1m	35%
Michigan	FanDuel	\$27.4m	43%
Nevada	William Hill	\$24.4m	58%
New Hampshire	DraftKings*	\$7.1m	100%
New Jersey	FanDuel	\$87.7m	54%
Oregon	Scoreboard*	\$7.4m	100%
Pennsylvania	FanDuel	\$59.6m	52%
Rhode Island	Sportsbook Rhode Island*	\$4.8m	100%
Tennessee	FanDuel	\$19.4m	40%
Virginia	FanDuel	\$30.7m	47%
West Virginia	FanDuel	\$3.1m	53%
Total US	FanDuel	\$313.9m	43%

**Only available online sports betting brand in the state
Source: State regulators/Eilers & Krejcik Gaming estimates*

Eilers & Krejcik Gaming uses a blend of channel checking, Google Trends data, Sensor Tower data, and other data to generate its proprietary online sports betting GGR-by-brand estimates.

Eilers & Krejcik Gaming LLC is an independent research and consulting firm with branches in Orange County, California and Las Vegas, Nevada. The firm's focus is on product, market, and policy analysis related to the global regulated gambling market. Clients include operators, suppliers, private equity and venture capital firms, institutional investors, and state governments. To learn more about the firm, visit <http://www.ekgamingllc.com>.



SEO snapshot: Is spending big on PPC advertising essential in newly regulated states?

Martin Calvert, marketing director at ICS-digital, delves into player acquisition via paid media

The pace of acquisitions and volume of investment across the US has become so familiar that perhaps it's easy to forget what an unusual time it is in the industry. In freshly regulated states, residents can't help but notice advertising across traditional and online media, with plentiful offers for free bets and other incentives.

With Arizonans, South Dakotans, and Washingtonians estimated to bet several billion dollars each year, the rush to build brand familiarity – and drive app downloads, registrations, and deposits – is understandable. Indeed, many analysts will point to the presence of esteemed advisory firms guiding major operators, and extremely experienced global operators bringing their expertise to bear on this new market and conclude that while investment is jaw-dropping, it's also rational.

Here, I'd like to challenge that and discuss other forms of player acquisition that are more focused on longer-term growth than landgrabs or growth intended to drive up business valuations.

Growth at any cost?

Building brand recognition with potential bettors and becoming trusted enough to earn a place for your app on their phones is a major drive. The many partnerships between operators and sports teams, franchises, and celebrity brand ambassadors are intended to drive up trust in the industry in newly regulated states as it has elsewhere.

In February 2021, MediaRadar research calculated that in the US, top-10

betting brands accounted for 94% of the total advertising spend of the entire gambling industry in the previous 12 months. Of those 10, FanDuel, bet365, and DraftKings collectively spent over \$200m on marketing – much of it paid media. In broadcast media, Nielsen reported in May 2021 that online gambling spend in the local TV spot arena increased from \$10.7m in 2019 to \$154m in 2021. It's an expensive battle.

Even with this enormous spend, with most advertising and major campaigns emerging from a half-dozen or so operators, with a handful more expected to launch in the next few months, this isn't comparable with, for example, an established European market with hundreds of participants. If we expect the market to mature, with a range of operators, affiliates, tech platforms, and service providers of various shapes and sizes to emerge in a relatively short timescale, there are some questions to be asked.

In this ferocious battle for growth, can paid media sustain longer-term success? Do smaller brands need to keep pace on this particular marketing battlefield?

Organic versus paid media

When big money operators and VC-backed players set the pace, there's a risk that smaller enterprises try to keep up in ways that aren't optimal for their growth paths and available resources. While there are phenomenally clever teams employed within worldwide operators, there's also unambiguous signs of waste that I believe would be highlighted more quickly in less profitable industries.

Though 'the house always wins' is a familiar term, it's also true that so long as overall strategies remain profitable, there can be a surprising amount of tolerance for wasted spend when it comes to paid media.

One of my favorite recollections from analysis of PPC strategies undertaken during the 2018 World Cup was the case of a major operator which offered odds for England versus Croatia on ads but had a landing page devoted to athletics odds – and this type of misstep happens all the time, with every click paid for.

Amid the frenetic pace of the US market, there will be even worse waste given inflated click costs, and due to non-US-specialists running campaigns based on US sports they don't have the greatest affinity for. More than this, given the lack of a thriving and mature affiliate tier, brands will be paying for unexceptional traffic.

Such 'growth' numbers might suit those angling towards a sale or some other corporate transaction, the waste that goes unseen in a 'bull' betting market is considerable – and more damaging for smaller brands who may look to mimic the major players.

A less dramatic growth strategy – but one more focused on long-term value, product, and sustainability – is SEO, and it's prime time to capitalize in newly regulated states where bettors are crying out for answers, guidance, and brands they can trust.

An alternative view

For many key terms, the cost per click



is only going to rise if we look at what is happening in mature gaming markets. With this in mind, a more sustainable, albeit less dramatic, approach to customer acquisition and brand building relies on developing truly interesting products signed to US audiences, but also crucially being found and being trusted when bettors go looking for answers.

It's also fair to comment that many traditional gaming brands with a global reputation or utilizing offline brand familiarity in the US may not have the SEO and content expertise needed to capture traffic from organic search.

Organic search for startups/affiliates

In these cases, smaller brands and future-focused brands that want to take their place as part of the affiliate tier of the US market, for example, may be able to outpace them while not burning cash in a race they don't need to win.

For startups and less familiar brands, being able to build an aggressive approach to digital marketing without being slowed down by legacy issues means they can go 'all in' on longer-term strategies and build a brand around the future customer rather than be limited by prior expectations.

Even taking a 'very' partial view of the organic opportunity in states like Arizona, the rise of keyword growth is substantial – meaning there are many opportunities to rank, earn trust, and drive deposits.

While the predictability of paid media is important – and I should say something we factor into any US-facing strategy – in cases such as this where there aren't thousands of 'incumbents' clogging up the search engine results, there will absolutely be some quick wins for those who prioritize organic.

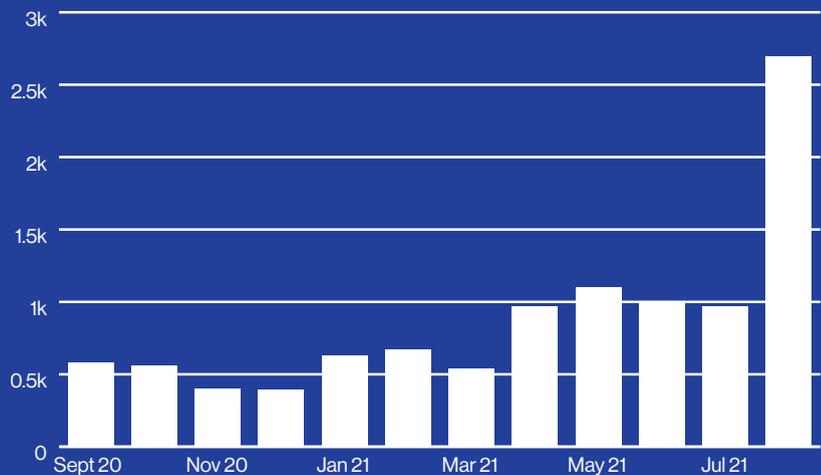
In short, more search volume, more specific queries, and the evolution of better queries as they develop their understanding of how each newly regulated state works means there are opportunities to capitalize on.

More than this, these opportunities can be more focused on the longer term than a blanket 'broad match' bidding strategy to show ads every time someone searches for a term that includes the word 'bet'.

It does feel that many brands are participating in the paid media frenzy either

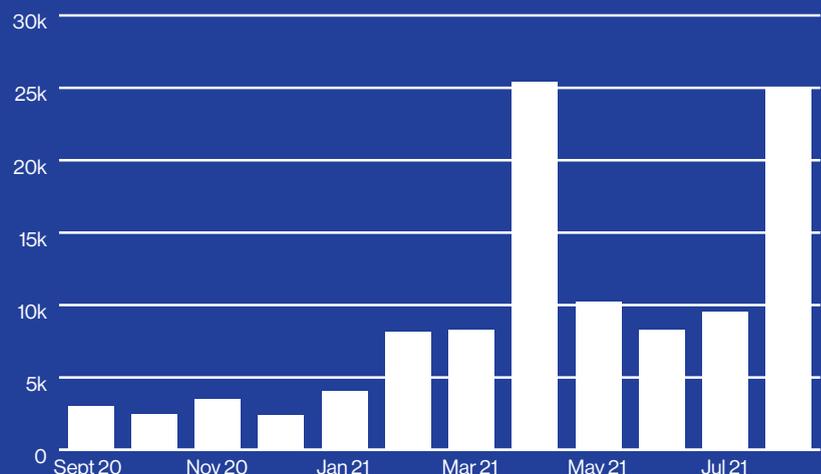
'Arizona sportsbook' search

+364% increase in last 12 months



'Arizona betting' search

+735% increase in last 12 months



Source: keywordtool.io (based on Google keyword planner data)

because they have the size to cope with waste, or because they have numbers that 'corporates' want them to hit – by hook or by crook.

It's important to recognize that search volumes are rising, how bettors search is evolving, and the scope to earn traffic is a real and serious opportunity. While the 'it depends' answer that brands often experience from SEO agencies will likely

continue, the market opportunity is such that there is plenty of room to succeed at speed.

A focus on product, anticipating better queries, and taking an outside-in (rather than inside-out) approach to acquisition can drive long-term SEO strategy for smaller brands, and also alleviate some of the cost of paid media for larger enterprises if they're motivated to.



Conversion corner: Striking a strategic and powerful alliance

Daniel Kustelski, CEO of Chalkline, takes a closer look at the relationship between sportsbook operators and media companies, and explains how they benefit both parties

Many sports betting operators have turned to media companies to partner for content and player acquisition. Since the repeal of PASPA, we have seen multiple deals where operators have committed to spend hundreds of millions of dollars with media companies as they fight to leverage the first mover advantage.

In this Conversion Corner, I will look at why operators are joining forces with media companies, analyze the commercial agreements they are working to, and discuss some of the key trends that are emerging from these partnerships.

Why sportsbooks are partnering with media companies

Let's dive into the reasons why we have seen so much activity between sports media companies and operators. The obvious reason is eyeballs and the engagement that the media companies have with both existing and potential sports bettors.

In short, media companies are seen to fill the top of the funnel for sportsbooks and igaming operators.

We are seeing ownership and equity transfer in these transactions as well.

For media companies, it allows them to take a relatively risk-free bet on the betting industry through strategic partnerships with operators.

Most of the time they are taking less than 5% of the operator's revenue so they have less rub on the exposure to

legal and regulatory requirements that have to be met in order to operate in the market. Operators, on the other hand, are able to secure access, and sometimes exclusive access, to highly lucrative sports fans primed and ready to engage with real-money betting.

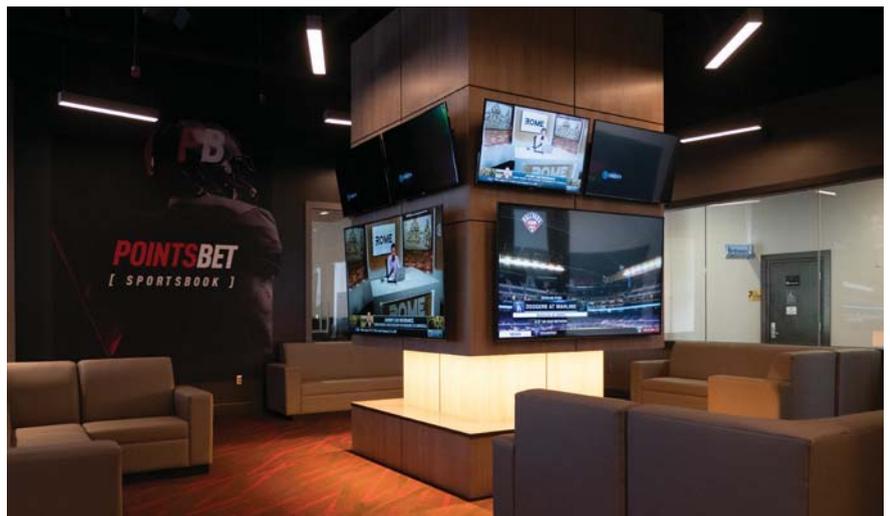
Unit economics of a depositing sports bettor

Recent CPA figures coming from Penn National Gaming indicate it is able to acquire customers at less than \$100/player while FanDuel announced it was hitting less than \$300/player and DraftKings

\$371/player. For operators that aren't as large, those costs can drift to more than \$500 per player.

While the cost of acquisition is important, the big question is: What value is each player worth once acquired? That answer depends on a state-by-state perspective, but DraftKings recently reported that figure to be around \$2,500/player.

But can these partnerships drive down acquisition costs while increasing customer lifetime value? The deals and acquisitions we have seen of late suggest that operators believe that to be the case. So, let's take a closer look at some of the partnerships that have been announced.



NBC holds 4.99% of PointsBet while the operator has promised to spend almost \$400m with the media giant



Penn National Gaming and Barstool Sports

Penn National Gaming purchased a 36% stake in Barstool Sports for \$163m, valuing the media giant at \$450m. Considering that Barstool was valued at less than \$20m pre-PASPA, this is a significant value increase. The deal really started the ball rolling between betting operators and media companies, and highlighted how valuable a community of bettors is to sportsbook operators. Uniquely, Penn has used the Barstool name for its online and retail sportsbooks, and online casino brands in states like Michigan.

DraftKings and VSiN

DraftKings bought VSiN in another significant deal for the sector. VSiN has a large following of sports fans and bettors but, interestingly, its audience is more sophisticated than most; the content published on VSiN is clearly geared towards seasoned bettors. The beauty of this deal, though, is that DraftKings now has a media engine that can create content across many different brands each with its own personality and audience. While the value of the database was decent enough, the value of buying a content engine for bettors was probably more important for the operator.

PointsBet and NBC

Another interesting deal is that between Australia-based PointsBet and NBC, which have joined forces in a more traditional media partnership. NBC now holds 4.99% of PointsBet while the operator has promised to spend almost \$400m with the media giant. Of course, NBC has an option to increase its shareholding. NBC has tremendous reach and publishes specific content that clearly appeals to PointsBet; the media giant's size and following is almost perfect for filling the top of the operator's customer funnel.

It was an important move for the challenger brand looking to establish itself in the US market while NBC got to stick its toes in the sports betting industry and own a small piece of an operator



Penn National Gaming purchased a 36% stake in Barstool Sports for \$163m, valuing the media business at \$450m

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“Recent CPA figures coming from Penn National Gaming indicate it is able to acquire customers at less than \$100/player while FanDuel announced it was hitting less than \$300/player and DraftKings \$371/player”

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with the option to improve that position if it wants.

888/SI.com and Sportsbetting.com/Maxim

Both of these deals show the perceived value from international sportsbook operators that have established a smaller footprint in the US partnering with a media company to improve acquisition. For 888 and Sportsbetting.com, it provides access to the publisher's loyal readership and for the media company it offers an additional way to monetize its database.

Tipico and Gannett/USA Today

This five-year deal includes \$90m in media spend by Tipico, plus performance incentives payable to Gannett based on customer referrals. In return, Gannett gets to acquire up to 4,990 common shares in Tipico's US business, representing a minority stake. Gannett has also agreed to provide Tipico with exclusive access to premium marketing assets.

ESPN and ???

ESPN has recently thrown its hat into the sports betting ring, suggesting licensing its brand would cost \$3bn. The rumor mill is rife with potential operators that are already in the US and need traction, or some that are yet to go live and looking to make a big splash.

Licensing a name like ESPN and creating a betting brand like ESPNbet.com doesn't guarantee success. Fox Bet hasn't seen its audience translate into a sizable, measurable market share just yet. I do like that ESPN has access to plenty of first-person data and already has freeplay games to educate and acclimate customers. The unthinkable – the ESPN brand entering the betting space – is now simply a function of time.



New Jersey slots tracker

Ken Muir, managing director at iGaming Tracker, presents the latest slots data for New Jersey

Every day we look at each casino website in New Jersey and track which casino slots are present. This allows us to see which are the most popular slot games, as well as the most popular online slot suppliers.

There were seven new entries to the top 20 in August, including Coin Combo Marvelous Mouse by SG Digital and Street Fighter II by Evolution-NetEnt.

There was also a shift at the top as SG Digital's 88 Fortunes topped Evolution-NetEnt's Divine Fortune from the number one spot.

NetEnt's Starburst fell to fourth position in July. Meanwhile, Bonanza by Evolution-Big Time Gaming lost two spots to rank in sixth place.



A heatmap showing the content share of the top 20 games

Game	Supplier	August	July	Change
88 Fortunes	SG Digital	1	2	1
Divine Fortune	Evolution-NetEnt	2	1	-1
Coin Combo Marvelous Mouse	SG Digital	3	n/a	new
Starburst	Evolution-NetEnt	4	3	-1
Bison Fury	Win Studios	5	5	0
Bonanza	Evolution-Big Time Gaming	6	4	-2
Gordon Ramsay Hell's Kitchen	Evolution-NetEnt	7	n/a	new
Street Fighter II	Evolution-NetEnt	8	n/a	new
5 Treasures	SG Digital	9	7	-2
Bellagio Fountains of Fortune	Win Studios	10	n/a	new
Bullion Bars	Novomatic	11	n/a	new
Mercy of the Gods	Evolution-NetEnt	12	12	0
Retro Riches	High5Games	13	n/a	new
Extra Chilli	Evolution-Big Time Gaming	14	15	1
Jin Ji Bao Xi Endless Treasure	SG Digital	15	9	-6
Cash Machine	Everi	16	17	1
Cleopatra	IGT	17	6	-11
Divine Fortune Megaways	Evolution-NetEnt	18	11	-7
Cyberslot Megaclusters	Reel Time Gaming	19	n/a	new
Asgardian Stones	Evolution-NetEnt	20	16	-4

Data August 1-31, 2021

How it works

Games are ranked by their position throughout the month on 15 casino sites in New Jersey. Only the 'main' page of the casinos is taken into account and the top 20 most prominent positions on those pages. The ranking is calculated as the total number of hours the game was in the top 20 positions throughout the month. Each casino page is tracked at least once every 24 hours. Table games such as roulette and blackjack are excluded from the rankings, as are live casino games.

Stocks Tracker: The post-Covid bounce-back

EGR NA studies the share price movements of key industry players in the land-based sector including Caesars, MGM, and Bally's

US brick-and-mortar operators, which were badly affected by the coronavirus pandemic, enjoyed a post-Covid-19 summer to remember following the end of restrictions.

Caesars Entertainment, MGM Resorts International, and Bally's Corporation each reported a stellar Q2 period, with all three reporting triple-digit year-on-year increases in revenue.

Bally's led the way during Q2, registering a whopping 825% surge in revenue, while MGM and Caesars posted year-on-year increases of 683% and 432% respectively. These bumper revenue figures, and the resultant effect in addressing 2020 financial losses, led to the operators experiencing positive gains for their stock over the quarter.

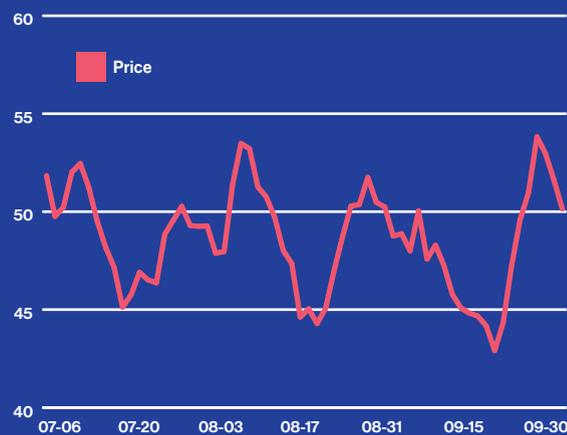
For a start, Bally's shares increased modestly over the course of Q2, rising from a July 6 close of \$49.76 to an October 1 close of \$53.08, down only slightly from its Q2 peak of \$53.82.

This modest increase was mirrored by Las Vegas-based MGM, which rose slightly from a July close of \$41.25 to an October close of \$43.15, down from a Q2 peak of \$45.09.

The slide could be due in part to uncertainty regarding the future of its BetMGM joint venture following DraftKings' surprise \$20bn offer to acquire the other party in the joint venture, FTSE 100 gaming giant Entain.

Finally, from a July 6 closing price of \$98.45, Caesars hit a peak of \$119.49 during Q2, hard on the heels of triple-digit rises in all key metrics and narrowing losses.

Bally's Corporation stock data



\$49.76

July 6 close

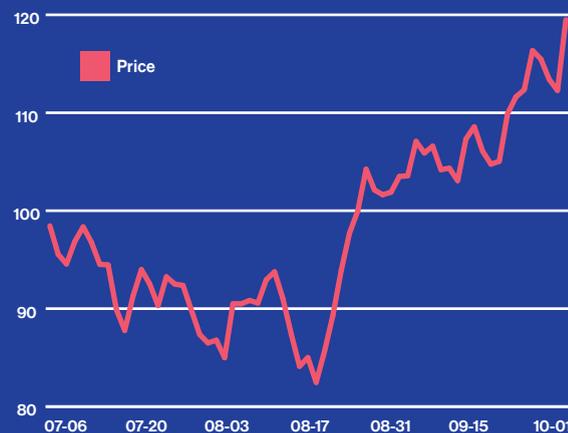
\$53.08

October 1 close

\$53.82

Peak Q2 close

Caesars Entertainment stock data



\$98.45

July 6 close

\$119.49

October 1 close

\$119.49

Peak Q2 close



Q&A: Ahead of the pack

BetMGM CEO Adam Greenblatt sits down with *EGR North America* and lifts the lid on the operator's rapid rise from a transatlantic JV signed three years ago to a power player of US sports betting and online gaming

In the three years that BetMGM has been in operation, it has gone from a promising 50-50 joint venture (JV) formed between MGM Resorts and Entain to a jewel in both firms' crowns. With startling growth of late after initially being slow out of the blocks, the BetMGM app has been rolled out in 14 states at the time of writing. Moreover, the ascendant operator has gate-crashed the previous sports betting duopoly involving DFS heavyweights DraftKings and FanDuel to become the US' second largest sports betting operator. BetMGM has also stormed into the lead on the igaming front with a 30% share nationally in Q2.

In the middle of this is BetMGM CEO Adam Greenblatt, a former Ladbrokes Coral corporate development director who heads up a team that has quickly swelled to more than 700 across its New Jersey base and other US offices. Here, he chats to *EGR NA* about his and BetMGM management's steadfast pursuit of growth and grabbing market share.

EGR North America (EGR NA): *Can you explain how the joint venture works on a day-to-day basis?*

Adam Greenblatt (AG): From a governance perspective, our board meets probably every six to eight weeks, so the big strategic decisions and discussions happen in that forum. That's one part of the answer. The other part is that we work deeply with both Entain and MGM daily to bring life to the multi-channel offering. BetMGM sportsbooks are already in operation as we speak in MGM

Resorts properties, so every day we've got players coming through the doors that we need to look after. We're creating lines, we're creating marketing campaigns, and working together to create a customer experience in the physical world with MGM Resorts.

At the start of the NFL season, we held the first tailgate at the Allegiant Stadium in Las Vegas. Right across the road from the NFL stadium in Las Vegas is one of our MGM properties. So, we made sure that BetMGM is represented, and that there were betting opportunities in the tailgate, which was a first for Las Vegas.

These are things that we must work very closely with MGM Resorts on. We have a football field-sized sign for BetMGM on the side of the Luxor pyramid. These are the kinds of things that don't just happen on their own. We've worked extensively with MGM to bring to life some of the exciting things that their assets and our collective ideas make possible.

There are also other things like loyalty and data sharing to bring to life loyalty and marketing campaigns around the M life Rewards program, which requires daily contact. The last component of the relationship is the work we do together on government affairs like lobbying. MGM is very influential, knows everybody, and has wonderful reach, so it's very helpful to BetMGM. The other side is obviously Entain, which provides our technology.

EGR NA: *How does that work from a practical point of view?*

AG: There isn't a separation between

technology, business intelligence, customer experience, marketing, operations, and the payments ecosystem. All of those operational processes are deeply embedded within our technology, and our technology drives our operational processes. With things like driving efficiency, how do we take cost out of our payment processor? For example, we recently launched a new payments partner. This is an example of how BetMGM will drive or ask for the integration of a new third-party payment provider specifically focused on the US or that would be more effective in the US context, and so we would work with Entain to integrate that payment process. We work together with Entain to define the product development roadmap on a quarterly basis and, of course, just daily operations, customer queries, outages, and fixes. We have an amazing team that's in Entain that are just focused on BetMGM.

EGR NA: *After a slow start, BetMGM has made up tremendous ground to now be battling for the lead in sports betting, and is the number one operator in online gaming with a 30% market share in Q2. But what do you put this down to? How have you and the business managed this growth?*

AG: Going back to the beginning of the business, I had the privilege of starting from a blank sheet of paper. My core leadership team and I spent time building our individual teams underneath them, but we also spent time, right at the beginning, just defining and deciding on what leadership meant for us, what we wanted to be in this



BetMGM's online ambitions benefit from the input of branding and cross-sell opportunities afforded by MGM Resorts

industry, and we have built BetMGM in that likeness. For me, what's changed is the manifestation of this aim, bringing muscle around that core group of ideas and expertise.

On top of which there's the Entain technology, that robustness and product on the technical side, and there's the content elements of that product, bringing in our gaming business and having the broadest range of content. It's not only about how many games you've got on the shelf, it's about having the right games, how they are merchandized, and our unique in-house content.

We also spent a lot of time localizing the sports betting product and we've made great strides in that regard. You asked about a slow start, but you can't start fast if you've got no people, and the product isn't resonating as strongly as it now does, and the journey to getting the product to resonate took a bit of time.

At the same time, you've also got things that bring to life the MGM brand in our product and in our marketing. Connecting those two things, building out a market and acquisition ecosystem,

establishing third-party relationships, and giving them the tools to onboard players from advertising into the landing page for that first product experience. This is where the advertising tools connect to the product tools, like deep linking into a pre-packaged parlay for example, and connecting that with today's marketing campaign. It's about that creative sitting with a third party with BetMGM exposure through their website, communication, or player links far out in the distant reaches of our marketing ecosystem.

EGR NA: *MGM anticipates grabbing a 20%-25% long-term slice of the US market. How far off are you from hitting this target? What will be the key to achieving this?*

AG: Based on the most recent data, we're already above our 25% market share target in our live states, based on total BetMGM GGR divided by total market GGR in all our live states. Now the answer is slightly different when you look at the nationwide GGR, the numerator stays the same, which is our GGR,

but the denominator gets bigger because we need to add in those states in which we are not currently represented, the biggest of which is Illinois.

In Illinois, we started with on-property registration, then there was an exemption period during Covid-19, where the governor basically said players don't need to be verified physically on property. During that time, those operators that were in Illinois already basically got a shot in the arm and were able to accelerate their digital businesses. Then the shutters came down again, the governor stopped the exemptions, so we will be in Illinois as soon as we're able to, but it'll most likely be beginning of 2022 when the on-property registration requirement burns off.

Coming back to your initial question, we're already above the top of our range in our active states, so the challenge will now be can we maintain it as the market grows?

EGR NA: *What about longer-term revenue targets?*

AG: Over the long term, we want to grab as much as we possibly can. We devised the 20%-25% target by looking at what was reasonable given the landscape of players, what we observe in more mature international markets, how share distribution generally plays out over time, and does that fit our US use case where it's state-by-state?

Also, the ability to scale for a new operator to join the market. Scale is more difficult. If you look at the UK, there isn't a 20%-25% player there. The distribution is broader, more even but there is the example of Sky Bet, who came in and won share against the incumbents later on. To do that in the US, given the complexity of the regulatory environment where you must build on a state-by-state basis is very, very hard to do organically.

Bringing that all together, I expect it to be a slightly narrower field of national winners. The distribution between those national winners leads us to that 20%-25% market share based on our own perception of our strength, and what we were able to see today.

EGR NA: *BetMGM has been conspicuous in not inking a major media partnership deal (although you have partnerships with Yahoo and The Athletic). Is it a case*

of all the biggest media targets have been secured, or are you just not favoring this option?

AG: We're very happy with the partners we have. We participated in all the RFPs put out by those media companies and we considered some very, very seriously but, ultimately, we concluded that we could deploy capital more effectively elsewhere. When you combine the requirements for fixed upfront commitments and, in some cases, equity participation by the media company in the operator, potentially even including warrants or those types of structures, we ultimately felt that we could put capital to work in different places. We also have the benefit of input from the likes of IAC, which has a deep history in the media world.

The reality is, working with big media companies is difficult. They are big companies with lots of internal stakeholders and the competition for mindshare and inventory is difficult to navigate. If I look around me, at those businesses, some of them are competitors who've committed meaningful capital to those media partnerships but it's not being translated into leading market share. Having said that, the story's not over. It's still early days.

EGR NA: *Earlier this year, Glassdoor ranked BetMGM in the top 20 best places to work for 2021. What do you attribute this success to?*

AG: I remember when I was at Lad-brokes, we did an employee survey [via Willis Towers Watson] and they said consistently, the most highly correlated item that drives employee wellbeing is the relationship with your direct manager. If you've got a good relationship, employee sentiment is high. And the contrary is also true.

All the way through the organization, we've got talented individuals who are working with a high touch approach, operating in a transparent way. So, people know where they stand, they understand what the expectations of them are, and they feel supported by their manager. Add on top of that our exponential success, something that we share with them, and it has felt like a really positive uplifting environment. For all of the growth and all of that headcount growth, our ambition is beyond our

current ability to deliver. Everyone's working tremendously hard and that creates its own strains and maintaining the whole work-life balance in a post-Covid-19 world is very, very hard.

EGR NA: *Back in January, MGM Resorts made an \$11bn takeover bid for Entain. However, Entain rejected the offer, insisting it undervalued the firm. You and BetMGM are in the middle of this, effectively operating between the two, how do you approach that?*

AG: Firstly, I'm delighted to be part of the thing that is being coveted, it would be much worse for me if nobody wanted me. We did a little exercise recently where we looked at all the analyst reports and valuations from Entain and the endless reports from MGM Resorts, and in some of these there were maybe a few lines about BetMGM. The average from those past valuations was over \$11bn, so the value at stake in the middle is just tremendous.

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"I'm focusing on making sure that my relationships with both Entain and MGM Resorts are as strong as they can be so that we can remove operational roadblocks as they arrive independent of each other"

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My primary concern at this point is making sure that BetMGM gets what we need to be successful against our competitors. While there has been a lot of discussion about the approach and this standstill and all of that, does it help us for me to involve myself or reach into that? No. Does it create a noise and potential noise and distraction for me and the business? Yes. So, what are we doing? We're focusing on execution and delivery. I'm focusing on making sure that my relationships with both Entain and MGM Resorts are as strong as they can be so that we can remove operational roadblocks as they arrive independent of each other.

We get different things from MGM Resorts and Entain and to an extent those

are separate, so we can deal with them in their own swim lane in terms of the corporate objectives and relationships. They're not affecting us. As it stands, I have a fully funded business plan and I have MGM and Entain recognizing that the valuation of \$11bn+ at stake is too important to compromise.

EGR NA: *It's been more than three years since PASPA was repealed, paving the way for state-by-state sports wagering. Looking back, what has pleased and surprised you most about how the industry has developed? Did you ever imagine we would reach two dozen legal jurisdictions by now?*

AG: It's gone much more quickly than I expected, the pace of state adoption has been a positive surprise. Likewise, the pace of the first wave of player adoption has also been a positive surprise. For example, on the debut of the Arizona market, where we took more turnover there than in Colorado or Tennessee, we had 30% market share on day one of the launch in that state. It's amazing. We worked hard to get to that position. We leaned heavily into a pre-registration process in Arizona, and that was what proved to be successful. These markets are starting much more quickly than I anticipated; I expected it would be a more gradual pickup. The size of the gaming market has just blown me away. I think we already have one of the biggest regulated gaming businesses in the world. As a business, we expect to do more than a billion dollars of revenue next year, and this is a business in just its third year. It's staggering.

There have been some surprises. The operating environment is much more complex than I thought it would be with every state doing its own thing, the compliance requirements, reporting requirements, and the process of getting new products to market when operating in so many independent states. It's almost like having 15 bosses, and each one might have a different idea about what is acceptable on any given thing. For example, each state has its own product catalog, so the things that are acceptable or not acceptable. We must operationally manage that in order to remain compliant with state regulations, so the complexity of the operating environment is really significant.



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Opinion

Sports betting education

Education equals retention

Kevin Epstein, CEO of Sharp App, on why now is the time to leverage sports betting education as a user acquisition and retention tool

The Buffalo Bills are -6.5 in their opening NFL Week 1 matchup against the Pittsburgh Steelers. The Over/Under for the game is 48.5 and the moneyline for the Bills is -275. To an experienced bettor, these numbers have meaning, even a call to action. To a general sports fan with minimal to no experience in sports betting, these numbers may mean nothing, and at worse, they may be off-putting.

There is an entire market of potential sports bettors currently sitting on the sidelines; active sports fans who want to participate in sports betting, but are too intimidated by the vernacular, or don't understand the discipline and mentality needed to become a strong bettor. Simple sports betting education is the key.

Education is often forgotten as an audience-building strategy because sports betting companies and sportsbooks have had to prioritize gaining immediate market share, which was done by attracting established bettors, not by educating new bettors. Once PASPA was repealed in 2018 and states began to legalize sports betting, the race was on to develop and gain market share. Two key short-term tactics were deployed to quickly obtain sports betting audiences.

First, sportsbooks and platforms provided amazing incentives from bet boosts to matching deposits for new bettors, and can be anything from a free futures bet to doubling a deposit. Second, sportsbooks are aligning with or purchasing media, technology, or content companies to unite audiences. The most

popular example of this type of audience acquisition is Penn National Gaming's stake in Barstool Sports. Due to the need to spread the word as fast as possible, these short-term tactics have become the priority, instead of a long-term strategy like sports betting education.

Reduction in stigma opens doors for educational opportunity

Because of recent acceptance by governmental and mainstream entities, sports betting has some tailwinds in reducing the stigma surrounding the overall industry. Although once considered betting taboo, leagues are now partnering with sports betting companies to ensure that the experience is world class for its audience. One example is the major announcements from the NFL approving seven sportsbook operators. In fact, broadcasters are now even discussing the moving betting lines during live games.

Because the reduction in the stigma surrounding legal sports betting has made it easier for potential bettors to dip their toes into the betting pool, sportsbooks and sports betting companies should seize this positive momentum to develop a long-term, sustainable relationship with this new market of bettors. Education should work hand-in-hand with current user acquisition strategies. By empowering new bettors with the knowledge of how to bet, how to read the lines, what success looks like, and how to properly leverage the promotions provided by sportsbooks, new bettors can begin to bet, and bet consistently, with confidence.

A recent HPL Digital Sport study on sports betting behavior discovered the average US bettor uses two or three sportsbooks. The need for leveraging any strategy that increases retention intensifies when the share of wallet among US bettors is so razor thin.

Understanding this opportunity in the market, entrepreneurs are developing apps and video content to provide valued resources to the new sports bettor. These tools are built to help bettors understand what success looks like, manage a betting bankroll, and the basics surrounding the definitions of the spread, over/under, and the moneyline.

As the sports betting market continues to expand rapidly, the time is now to invest in educating and empowering the next generation of bettors. At the end of the day, what's the point of publishing the Bills -6.5 against the Steelers if a major portion of your audience has no clue what it means or how to act on it?



Kevin Epstein, co-founder and CEO of Sharp App, is a life-long entrepreneur.

After graduating from The State University of New York at Albany with a degree in finance, he became a successful proprietary equities trader. At the age of 24, he founded his first e-commerce business in the manufacturing space and built it up to over \$5m in annual sales. More recently, in 2015, he founded DFS Army Inc.

Will Ohio be the puzzle piece that fills in the sports betting map?

John Pappas, CEO of Corridor Consulting, examines the journey towards Ohio's legalization of sports betting

If you look at a US map highlighting states with legal sports betting, you will notice that the Midwest, Mid-Atlantic and Northeast sections of the country have a lot of color. Despite the rapid adoption of sports betting in these regions, there is a blank spot on the map that is hard to miss. That's right, I am looking at you Ohio.

The Buckeye State bridges together this vast swath of the US, but it is one of the few states in this part of the country that won't be taking legal bets this NFL season. According to data released by GeoComply, betting is very popular in this area. Remarkably, states that touch the Great Lakes accounted for almost 50% of all transaction volumes over the first week of the 2021 NFL season.

With a population of nearly 12 million, all four major professional sports (including two NFL and MLB teams), an absolutely massive collegiate fan base, and the incredible numbers being generated by its geographic neighbors, there is no doubt that Ohio will be an important state in the sports betting landscape.

It begs the question: what are they waiting for? Interestingly, sports betting bills have passed the House and the Senate, with a vast majority of lawmakers in both chambers supporting the measures. It just hasn't happened in the same year or legislative session. So, while there is quite a strong support for legalization, Ohio lawmakers don't have the best timing.

In 2020, the House-passed bill was doomed in the Senate when the Speaker

of the House got caught up in a bribery scandal. His indictment, not surprisingly, poisoned the well for any bill passed under his watch, including sports betting. Close, but no cigar.

Fresh take

2021 started with a clean slate for sports betting and legislative leaders declared sports betting "a priority" to get signed into law before the end of June. In the final days of their self-imposed deadline, and after multiple versions of a bill were introduced and then rejected before they could even be voted on, the Senate finally passed a bill. Alas, because the Senate was so deliberate in their approach, House lawmakers did not have enough time to address the bill before the summer break. Tick. Tock.

Summer recess is now over, and again, legislative leaders are going out of their way to include sports betting on their list of 'priority' bills. Recently, the Senate President Matt Huffman said a bill "will get done this fall," but he added that he was "not entirely happy" with the bill already passed in the Senate, and he predicted "significant changes."

Given the amount of work that has gone into the Senate passed bill, it's hard to know what "significant changes" might mean. The more things change, the more likely those changes will alienate important stakeholders, such as the state-licensed casinos, racinos, and sports teams, all of which are aligned to be licensed under the current bill.

As it stands, Ohio could have up to 40 licensed online sportsbooks and up to

60 retail locations that can offer sports betting in various forms. Most of the online licenses would be tied to casinos/racinos and sports teams, but a handful of licenses are untethered.

Tax rates are reasonably set at 10%; however, the licensing fees are steep. For example, an online sports wagering licensee would be expected to pay anywhere between \$1m and \$2m over a three-year term, and those costs renew every three years. Compare that to adjoining Michigan where the initial fee is \$150,000 for a five-year license.

How the House will make changes to this bill, and whether the Senate will agree to those changes remains an open question. I expect the legislature will soon announce a series of hearings that will bring together the factions to raise their issues and hash out differences.

I view myself as an optimist. Some may say I am a fool, but one way or another, my prediction is that Ohio will not let another year slip by without a sports betting law. In every direction, Ohio is surrounded by legal wagering. Now is the time for Ohio to fill in the map and chart their own route to sports betting success.



John Pappas is the founder and CEO of Corridor Consulting. For nearly 15 years he has been a leading advocate for regulated internet gaming in the United States.

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