

Submitted testimony of Christopher Grove
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Good afternoon Chairman Addabbo and members of the committee. My name is Chris Grove and I am a partner at Eilers & Krejcik Gaming, where I lead our U.S. sports betting practice. Eilers & Krejcik is an independent research firm based in Irvine, California. We have worked with policymakers in numerous states - including New Jersey, Nevada, Illinois, Indiana, and West Virginia - on sports betting and related questions.

I'd like to start by thanking you for your time and the opportunity to provide my input as you consider the optimal way to bring legal, regulated sports betting to New York. Sports betting, of course, is already ubiquitous in New York, whether it's through local bookies, offshore gambling sites, or New Yorkers crossing over into New Jersey to place bets in that state's legal market.

My goal today is to provide our sense of the likely shape of the market for legal sports betting in New York in terms of overall annual revenue and also revenue by distribution channel.

Before diving into the specifics, I'll offer a headline summary: Assuming New York authorizes both retail and online sports betting, with retail limited to the four upstate commercial casinos, and a tax rate and licensing structure similar to those proposed in recent bills, we expect legal sports betting in New York to produce just over \$1bn in annual revenue at maturity.

By maturity, we mean when the market has exited the phase of rapid initial growth, or somewhere between three and six full years after launch. Critically, some 95% of that revenue - or roughly \$973 million - would be generated via online sports betting, with the remaining \$48 million coming through the retail channel.

I'd like to take a few minutes to walk through the process behind these numbers and to offer our broader set of projections that includes both a more conservative and a more aggressive case for revenue from legal sports betting in New York.

First, our online projections. Our online projections are grounded in an analysis of the online sports betting markets in New Jersey, Nevada, and the United Kingdom. For each of those markets, we identified the current and potential gross gaming revenue, or GGR, per adult resident from online sports betting. We then adjusted those GGR numbers based on a number of factors, including perceived competitiveness of the New York market relative to our comp markets, tax and license impact, likely marketing spend, and online casino cross-sell, to arrive at a GGR number for each adult resident in New York state.

We performed a similar analysis for the state's sizeable commuter and tourist populations.

The total of the resident-driven revenue, the commuter-driven revenue, and the tourist-driven revenue sums to a base case of \$1.07 billion in annual revenue from online sports betting in New York, or roughly 96% of total sports betting revenue.

Second, our retail projections. Our retail projections are also based on an adjusted GGR approach, with Delaware, Nevada, and the United Kingdom acting as our comparable markets. The biggest challenge on the retail side: adjusting for the fact that all of those markets have far greater retail saturation than New York would have if retail sports betting were only made available at the four upstate commercial casinos.

We started by identifying the unique adult population within 60 miles, 45 miles, and 30 miles of one of those casinos. We then applied the retail GGR for our comparable markets to each of those populations. Finally, we took a weighted average of those populations, placing more weight on the populations within the shortest driving distance to the casino.

We then combined this weighted average with a top-down estimate based on the typical percentage of total retail casino revenue accounted for by sports betting, resulting in our base case annual revenue estimate for retail sports betting in New York of \$48.3mm, or roughly 4% of total sports betting revenue.

I would like to offer some important disclaimers before moving on. The specificity of our projections may imply a greater amount of certainty in our outlook than is actually warranted. The reality is that forecasting sports betting revenue in the U.S. is a highly speculative exercise:

- All available comparable markets are fundamentally flawed for a variety of reasons.
- The presence of an entrenched illegal market further complicates projections.
- And a host of other unknowns - including the ultimate role of professional sports teams, the potential for federal interaction, and the competitive dynamic of a given market - all could exert incredibly significant influence over the ultimate revenue potential of sports betting in New York.

I also want to reiterate that our estimates reflect a mature market that has had sufficient time to find its footing. Each market is different, but a typical state should take between three to six full years of operation to complete the ramp-up period.

To further highlight the inherent uncertainty in our projections, I would like to close by briefly outlining our conservative and aggressive cases (or bear and bull cases) for sports betting revenue in New York.

These cases take our base case and adjust it based on a handful of key factors, including: relative competition, marketing spend, professional sports integration, neighboring state impacts, and capex commitment.

The complete table detailing those adjustments is included in my submitted testimony. What I want to highlight here is the dramatic impact we believe those levers can have - both for the positive and negative - on the potential of regulated sports betting in New York.

In our bear case, online sports betting generates \$827 million and retail generates \$33 million for a total market of \$860 million. In our bull case, online sports betting generates \$1.28 billion and retail generates \$58 million for a total of \$1.34 billion. That's a spread of roughly \$480 million.

A brief summary to conclude: Precisely predicting the revenue potential of regulated sports betting in New York is an unrealistic goal. But there are two things we do know for certain. One, regulated sports betting is, by any measure, a significant opportunity for New York. Two, the overwhelming majority of that opportunity - likely in excess of 90% of the total - lies in the online sports betting channel.

Thank you again for your time, and I'm happy to any questions you may have now or in the weeks ahead as you consider this matter.

Appendix - Supporting materials

Table 1 - Bear / base / bull outlook for New York regulated online gambling

	Online	Retail	Total	Share of online
Bull	\$1,284,624,000	\$58,022,142	\$1,342,646,142	95.68%
Base	\$973,200,000	\$48,351,785	\$1,021,551,785	95.27%
Bear	\$827,220,000	\$32,879,214	\$860,099,214	96.18%

Table 2 - Retail adjustments for bear / base / bull

<i>Adjustments - retail</i>				
	Competition	Marketing spend	Pro sports integration	Capex commitment
Bull	10%		2.00%	8%
Base				
Bear	-10%	-10%	-2%	-10%

Table 3 - Online adjustments for bear / base / bull

<i>Adjustments - online</i>				
	Competition	Marketing spend	Pro sports integration	Customer capture / outflow from / to other states
Bull	10%	15%	5%	2%
Base				
Bear		-5%	-5%	-5%

Table 4 - Comp markets for NY retail

	GGR	Market size		
		30mi population	40mi population	60mi population
UK retail GGR	\$15	\$23,459,484	\$52,472,298	\$86,005,233
NV retail GGR	\$21	\$32,843,278	\$73,461,217	\$120,407,326
DE parlay GGR	\$13	\$20,331,553	\$45,475,992	\$74,537,868

Table 5 - Breakdown of NY online sports betting revenue

Resident online GGR per capita (adult)	\$62
Total adult residents	14,785,247
Total resident GGR	\$918,873,506
Commuter online GGR per capita (adult)	\$32
Total adult commuters	275,000
Total commuter GGR	\$8,769,613
Tourist online GGR per capita (adult)	\$1.12

Total adult tourists (domestic)	40,630,000
Total tourist GGR	\$45,505,600
Total online GGR	\$973,148,718