

EN North
America

July 2022

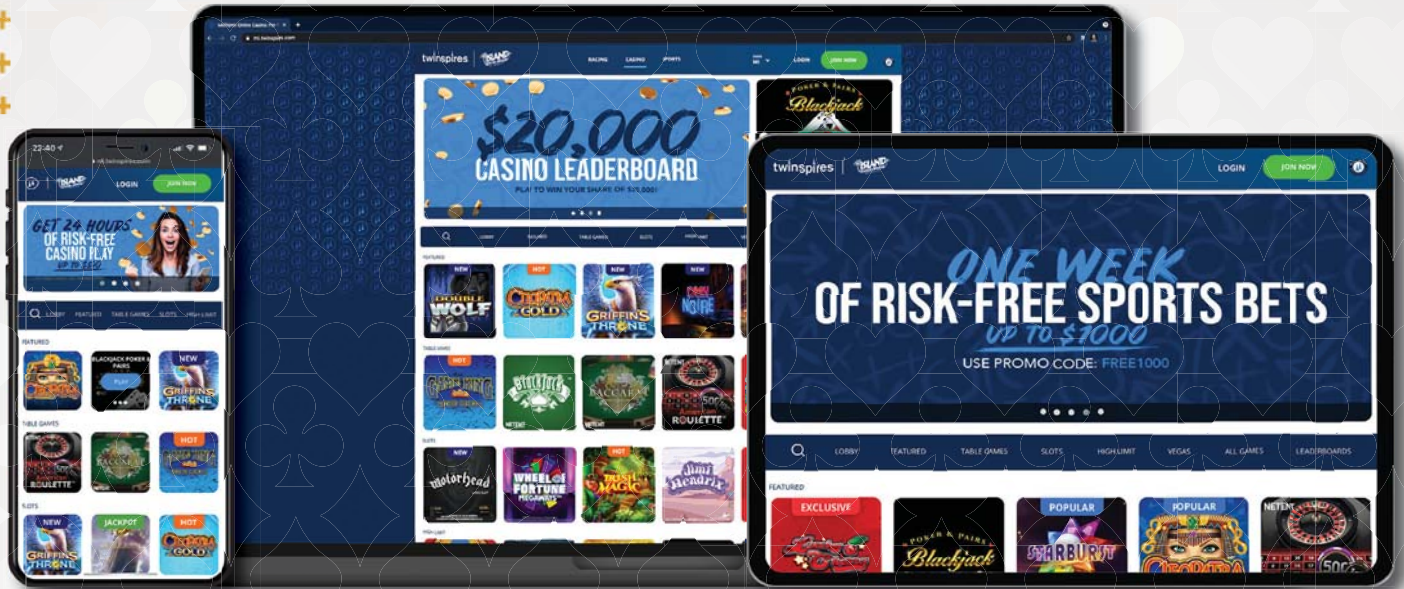


Quarterly Report

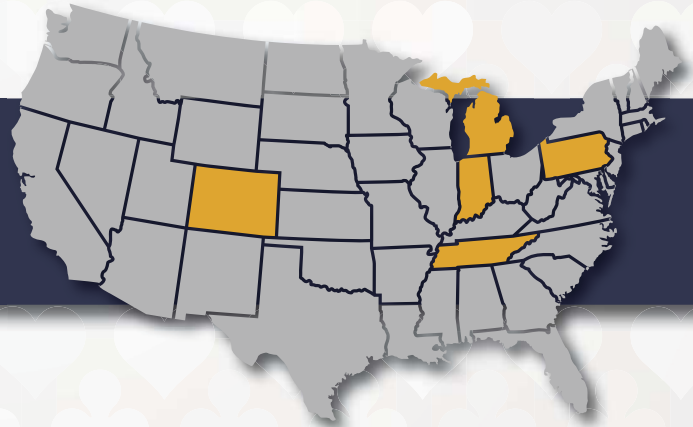
- American Gaming Association president and CEO Bill Miller
- Eilers & Krejcik Gaming explores key market trends
- Ranking states with regulations most favorable to consumers
- Avenue H Capital puts the startup scene under the microscope
- Why free-to-play has become a must-have accessory
- How to make it big in the regulated US igaming market

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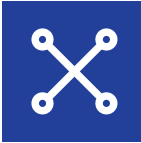
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/EDITOR'S LETTER/

This issue...



Welcome back to the latest *EGR North America Quarterly Report*. It's hard to believe we're already halfway through 2022, which is moving at breakneck speed. This quarter saw the annual EGR North America Awards take place, in which Rush Street Interactive collected three highly coveted accolades, including operator of the year.

So, what's been happening? MGM Resorts hit the headlines in early May with a \$609m offer for Malta-based LeoVegas, a deal which, if approved, should bolster the casino giant's igaming ambitions internationally, while elsewhere, DraftKings completed its own igaming springboard deal with the acquisition of Golden Nugget Online Gaming. Other notable headlines included Fanatics reportedly starting its own push towards sports betting domination and PointsBet netting serious financial firepower and in-play technical expertise with the \$94m investment from Susquehanna International Group.

Following its April launch, the Ontario igaming and sportsbook market has largely settled down, aside from the three regulatory infractions identified by its regulator. Legislative moves have been few and far between, with bills in North Carolina and Minnesota being frustrated by their respective legislatures, while prospective launches in Maryland and Ohio have made slow progress on licensing. One of 2022's perennial 'what if' stories, Californian

sports betting, moved a step closer with the success of a multi-operator-backed sportsbook initiative, which will go head-to-head with a tribal-supported bill for voter support in November. Whatever happens in the Golden State, it seems like this could be a watershed moment in US sports betting and, with California's \$3.6trn economy ranking higher than most countries, the stakes have never been higher.

This quarter's report features our regular contributors Chalkline, Eilers & Krejcik Gaming, and SEO specialist firm ICS-digital, as well as new contributions from Online Gambling Quarterly and a BonusFinder deep dive into the quarterly performance of top US states and Canadian provinces. Avenue H Capital's Benjie Cherniak returns with tips for new startups, and Entain Foundation US trustee Martin Lycka looks at the issue of responsible gambling in the Big Apple. Lastly, we interview the American Gaming Association's president and CEO Bill Miller, who talks us through the challenges of being a US trade body and how the rise of sports betting has changed how the organization works.

Will the second half of 2022 be as eventful as the first? Don't bet against it.

Editor
Rob Simmons



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- NEW
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- COMING SOON

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

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President and CEO Bill Miller discusses the AGA's journey to 30 states plus DC with legal sportsbook markets, and how public and political opinion is shaping the future of the industry



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Tally's CEO Brad Vettese explains why F2P games are evolving to become a key brand activation platform for sportsbooks

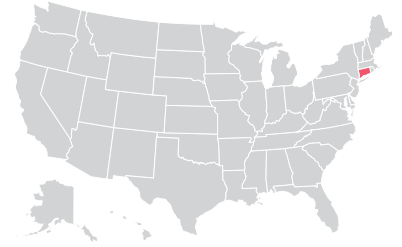
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EGR NA examines the US sports betting legislative landscape and casts an eye over the Canadian market



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Connecticut betting and gaming tracker



When was sports betting regulated?

House Bill 6451, an agreement between the state and gaming tribes including the Mohegan and Mashantucket Pequot tribes, passed in May 2021, with online sports betting going live in the state in October.

Regulator details

Connecticut State Department of Consumer Protection — Gaming Division
450 Columbus Boulevard, Suite 901
Hartford, Connecticut 06103-1840
dcp.gaming@ct.gov
Director: Peter Hsieh

Is sports betting permitted online?

Yes. Sports betting is limited to the state's Indian tribes and the Connecticut Lottery Corporation. FanDuel, DraftKings, and SugarHouse are live

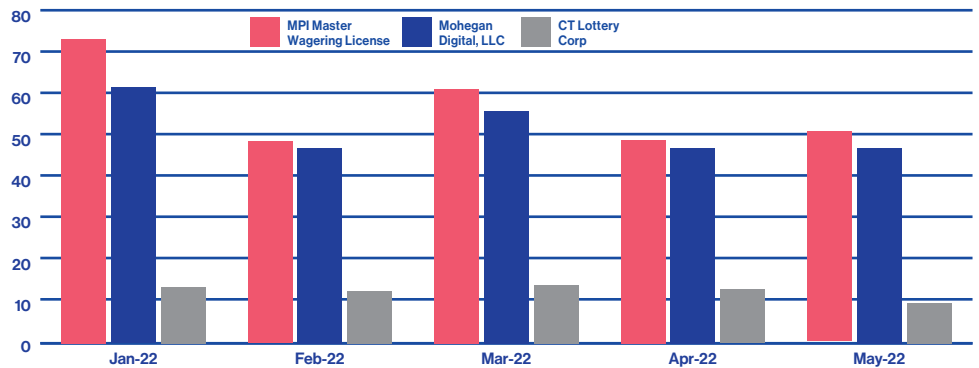
Is there any specific legislation for DFS?

Yes. DFS was regulated in 2017. Operators must pay 10.5% tax on revenue.

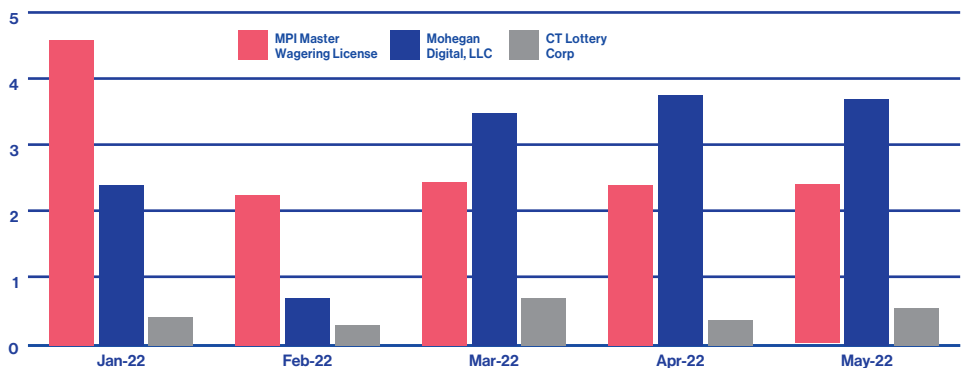
What is the tax rate?

The current tax rate is 10.5% for DFS and 13.75% on sports betting revenue.

Monthly sports betting handle (\$m)



Monthly sports betting revenue (\$m)



Go live date
Sep 2021

Online sports betting live Oct 2021



Sports betting handle
\$115.2m

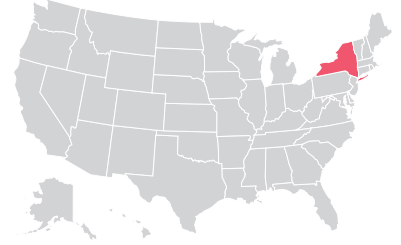
Data from May 2022



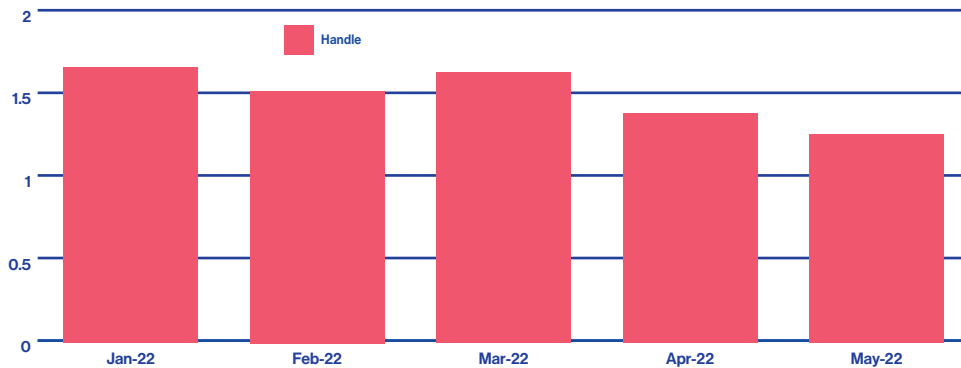
Population
3.6 million



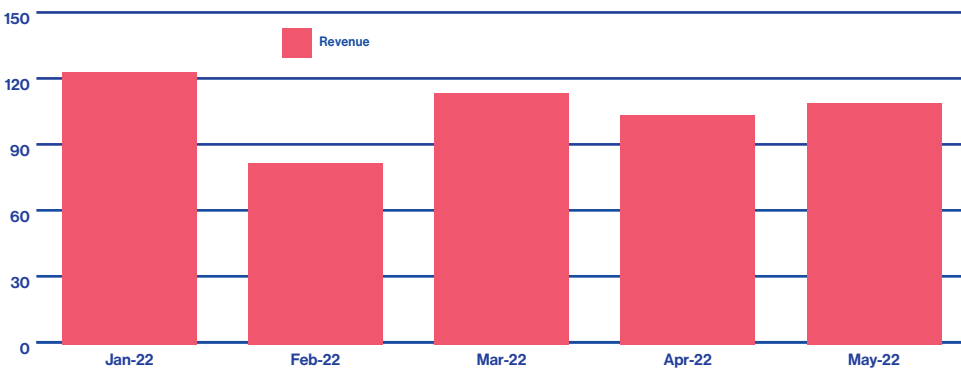
New York betting and gaming tracker



Monthly sports betting handle (\$bn)



Monthly sports betting revenue (\$m)



When was sports betting regulated?

Sports betting was authorized in New York during a 2013 casino referendum should the federal ban be dropped. With PASPA repealed, the New York Gaming Commission approved a set of sports betting regulations in January 2019, permitting four upstate casinos to accept sports wagers. The first wager was placed on July 16 by Assemblyman Gary Pretlow. Legal online sports betting began in New York on January 8, 2022.

Regulator details

New York State Gaming Commission
PO Box 7500
Schenectady, New York
12301-7500
(518) 388-3300
info@gaming.ny.gov
<https://www.gaming.ny.gov>
Chair: Barry Sample

Is sports betting permitted online?

Yes, since January 2022.

Is there any specific legislation for DFS?

Yes, since 2016, although it continues to be mired in legal uncertainty and some companies have chosen to remain out of the state.



Go live date

July 2019

Mobile betting live since January 2022



Sports betting handle

\$1.3bn

Data from May 2022



Population

19.5 million



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 Data analysis
 Slots rankings

Slots tracker: New Jersey, Michigan, and Pennsylvania

Ken Muir, managing director at iGaming Tracker, presents the latest slots data from New Jersey, Michigan, and Pennsylvania

Light & Wonder's 88 Fortunes and Evolution's Divine Fortune continued their stay at the summit of the *EGR* US Slots Tracker rankings but it was all change in the month of May for the rest of the top six.

May's sole new entrant into the rankings, Light & Wonder's Hurricane Horse slot, gatecrashed the top three, sliding into the third spot at the expense of IGT's Cleopatra slot.

As a result, the rest of April's top eight rankings slid down one place, with the exception of re-entrant IGT's Cash Eruption

tion, which increased the number of IGT slots in the top eight to five.

Light & Wonder's Jin Ji Bao Xi Endless Treasure was the other big climber during May, returning to the top 10 in ninth position from 14th.

May's big fallers were Evolution/NetEnt's Mercy of the Gods, which fell six places to 18th, Evolution/Big Time Gaming's Bonanza, Reel Play's HyperNova Megaways, and Light & Wonder's 88 Fortunes Megaways slot, which all fell four places during the month.

A total of 31 sites were scrutinized as part of the May tri-state sample, includ-

ing 157 webpages and 1,208 games.

Games are ranked by their position throughout the month across all online casino sites in New Jersey, Michigan, and Pennsylvania. Only the 'main' page of the casinos is taken into account and the top 20 most prominent positions on those pages.

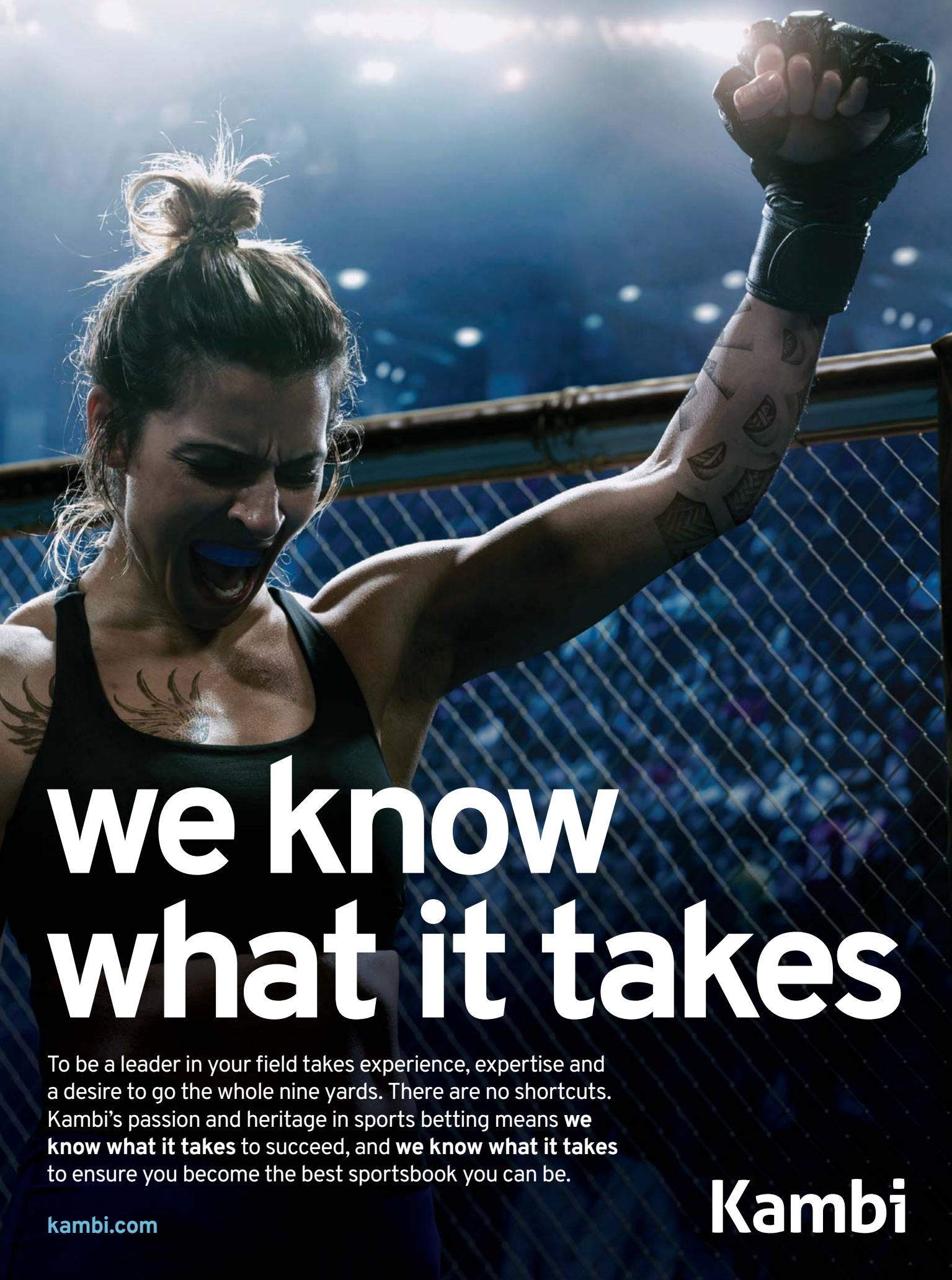
The ranking is calculated as the total number of hours the game was in the top 20 positions throughout the month. Each casino page is tracked at least once every 24 hours. Table games such as roulette and blackjack are excluded from the rankings, as are live casino games.

Game	Supplier	May	April	Change
88 Fortunes	Light & Wonder	1	1	0
Divine Fortune	Evolution - NetEnt	2	2	0
Hurricane Horse	Light & Wonder	3	n/a	new entry
Cleopatra	IGT	4	3	-1
Wheel of Fortune Triple Extreme Spin	IGT	5	4	-1
Fortune Coin	IGT	6	5	-1
Cash Eruption	IGT	7	n/a	re-entry
Cats	IGT	8	7	-1
Jin Ji Bao Xi Endless Treasure	Light & Wonder	9	14	5
Bonanza	Evolution - Big Time Gaming	10	6	-4
Cash Machine - Everi	Everi	11	10	-1
Hypernova MegaWays	ReelPlay	12	8	-4
Cleopatra Gold	IGT	13	n/a	re-entry
Ultra Blazing Fire Link	Light & Wonder	14	9	-5
Starburst XXXtreme	Evolution - NetEnt	15	n/a	re-entry
Capital Gains	AGS	16	n/a	re-entry
Starburst	Evolution - NetEnt	17	16	-1
Mercy of the Gods	Evolution - NetEnt	18	12	-6
88 Fortunes Megaways	Light & Wonder	19	15	-4
Divine Fortune Megaways	Evolution - NetEnt	20	n/a	re-entry

Data: May 1-31, 2022

How it works

Games are ranked by their position throughout the month on all online casino sites in New Jersey, Michigan, and Pennsylvania. 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.



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Data analysis

US sports betting

The month in US sports betting

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

US B2C M&A set to enter a Darwinian phase?

As recently as a year ago, US online sports betting (OSB) operators — existing and aspiring — could raise capital on the back of hopes, dreams, and a pretty smart-looking pitch deck. As the financial backdrop tightens amid tough macros, the days of easy money appear to be a thing of the past.

This dynamic, in which company valuations have tumbled and burn rates have come into sharper focus, has given rise to a constant stream of speculation regarding consolidation among US OSB operators. But channel checks indicate that the US B2C M&A scene remains pretty quiet. We're hearing larger players are increasingly content to let smaller potential takeout targets — especially those without in-house technology — fail, given that many of these targets have little additive value to offer.

All of this, in our view, sets the stage for a wave of rationalization in which the long tail of loss-making US OSB brands with tiny market shares is shortened — perhaps considerably so.

Sussing out potential US OSB stock catalysts amid a punishing market

US gaming stocks have been under significant selling pressure in the year

to date, and key OSB names have been among the worst hit — with, for example, DraftKings -60%, Genius -69%, and Rush Street Interactive -75% (versus Nasdaq -32%). While some of this is due to a broad market sell-off, as well as a rotation from growth-based to value-based equities, the year-to-date underperformance is still pronounced.

While we don't believe there is a single catalyst that will cause sentiment to necessarily shift or the sector to re-rate, we do believe some combination of the following would broadly serve as tailwinds:

- **Increase in M&A and/or take-private activity:** While the last few years were marked by a wave of IPOs and SPACs, we believe that current market conditions could help set the stage for a wave of consolidation, which would help provide a level of intrinsic value for the sector. While most companies are reluctant to use their stock as a form of public currency at current prices, we believe those with healthy balance sheets should become increasingly opportunistic to aggressive. Moreover, if private equity enters this space, this could also serve as a potential valuation floor.
- **Insider buying:** We think insider buying at current levels (especially at the board and senior management levels) would be well received by the investment community and help improve sentiment.
- **Promo and marketing cost control:** We believe it's important for OSB companies to start demonstrating that they can rein in promotional spending activity and control marketing activity

while not seeing any significant deterioration in underlying revenue growth or unit economics.

- **California OSB expansion — full stop:** If California voters approve a potential OSB ballot measure this fall, we'd expect the sector to trade higher, even if California OSB expansion does come with the caveat that profitability targets will be pushed out. Simply put, we believe California represents too big of a growth opportunity for the market to ignore.

Attention US OSB market-access shoppers

TheScore's imminent departure from the US OSB market means that some valuable market-access slots are on the block.

In terms of immature or soon-to-launch tier-one markets, theScore has access to Illinois (through Caesars) and Ohio (through Penn National). More mature tier-one — or tier one-ish — state slots include New Jersey (through Monmouth Park) and Colorado (Jacobs Entertainment). Kansas OSB market aspirants without a slot, meanwhile, may be interested in theScore's Kansas access (through Penn National). Of note, we are hearing some of these slots may already have been snapped up.

Undoubtedly, however, the most intriguing market-access slot in theScore's stable is Texas, to which it has second-skin access via Penn National. Given, though, that the Texas market is trending toward a single-skin setup, per



legislation and channel checks, that slot would come with significant risks for any potential buyer.

US OSB advertising an asymmetrical affair

We've recently begun to dig deeper into the US OSB advertising space, and data we've examined from Pathmatics focuses mainly on the paid digital ad segment — typically around 20% of an OSB operator's acquisitional marketing outlay — showing a small number of operators are likely accounting for the vast majority of US OSB advertising spend.

At this very early stage of our analysis, we're generally seeing a clear, positive correlation between magnitude of ad spend and magnitude of US OSB GGR share. And while we're seeing mostly unsurprising trends in the by-operator data (e.g., a rapidly cooling WynnBET and a generally wide divergence between FanDuel and Fox Bet spending), there are some indicators that have piqued our interest, including an increasingly aggressive bet365. More on this to come.

FanDuel remains atop US OSB podium, per our estimates

In the table on the right, we show our proprietary estimates of US OSB GGR on a by-brand, by-state basis in the three-month period through April 2022. FanDuel continues winning the biggest markets, which is helping it to win the national market. Indeed, the Flutter-owned brand currently has 41% national GGR share, according to our tracking. New York, where FanDuel captured an eye-catching 61% OSB GGR share in April 2022, is currently the brand's largest single market — and by some distance.

Grabbing a slice of the sports betting pie

Market	Top brand	Trailing three-month online GGR (estimated)	GGR share
Arizona	FanDuel	\$31.9m	32%
Arkansas	Betly*	\$0.2m	100%
Colorado	BetMGM	\$21.6m	31%
Connecticut	FanDuel	\$11.0m	48%
District of Columbia	GambetDC*	\$1.6m	100%
Illinois	FanDuel	\$71.1m	44%
Indiana	FanDuel	\$29.7m	39%
Iowa	DraftKings	\$9.4m	29%
Louisiana	FanDuel	\$23.5m	39%
Michigan	FanDuel	\$33.6m	40%
Nevada	Caesars/William Hill	\$21.3m	55%
New Hampshire	DraftKings*	\$7.7m	100%
New Jersey	FanDuel	\$73.7m	53%
New York	FanDuel	\$145.1m	48%
Oregon	DraftKings*	\$10.8m	100%
Pennsylvania	FanDuel	\$56.3m	51%
Rhode Island	Sportsbook Rhode Island*	\$5.0m	100%
Tennessee	FanDuel	\$28.9m	39%
Virginia	FanDuel	\$37.3m	38%
West Virginia	FanDuel	\$31m	43%
Wyoming	DraftKings	\$1.7m	60%
Total US	FanDuel	\$571.4m	41%

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

Eilers & Krejci 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 & Krejci 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: All eyes are turned on Ontario

Martin Calvert, marketing director at ICS-digital, weighs up how betting brands are shaping up in the SEO battleground of the Canadian province of Ontario

It's very early days for (regulated) competitive online gambling in Ontario, but as Canada's most populous province and with no cap on the number of licenses that can be given, it's no wonder that operators and affiliates alike are paying close attention.

Even at this early stage (and unlike some other newly regulated markets) there are already a variety of brands pushing for visibility, traffic, and depositing players through SEO. Across 16 legal operators and dozens of sub-brands, there will be increasing amounts of data for eagle-eyed marketers and search engine optimization professionals to evaluate, learn from, and/or dismiss if they feel the market isn't right for them.

So, which are some of the most notable brands, and what can we learn from their participation in the market so far?

The betting brands in the mix in Ontario and a snapshot rankings comparison

The 16 operators currently permitted are BetMGM, Unibet, bet365, Coolbet, LottoGo, 888, FanDuel, Rivalry, theScore, Royal Panda, Fitzdares, BetRivers Ontario, World Series of Poker, PointsBet, and LeoVegas. And of course Ontario Lottery and Gaming, the state operator.

When we look at high-level keywords like 'Ontario sports betting', it's interesting to see how brands associated with the 16 names above stack up — and indeed the other sites which are showing up in the first two pages of the search engine results.

Of course, it is very much early days but it's notable how some affiliate

brands are ranking well — clearly as part of a very long-term strategy involving an information-rich content strategy to anticipate the queries of potential bettors — especially around legalities.

Similarly, this is why we see the presence of more straightforward news sites — there is genuine news about the evolving gaming sector in Canada and even non-bettors have an interest in

Ontario sports betting keyword top ranked sites

Rank	Domain	Backlinks	Site type
1	ontariobets.com	226	Affiliate
2	legalsportsreport.com	341	Affiliate
3	covers.com	517	Affiliate
4	bookies.com	175	Affiliate
5	lineups.com	226	Affiliate
6	sportshandle.com	211	Affiliate
7	globalnews.ca	146	News
8	canadasportsbetting.ca	21	Affiliate
9	basketballinsiders.com	1,553	Affiliate
10	cbc.ca	56	News
11	sportsbettingdime.com	291	Affiliate
12	olg.ca	14,023	Operator
13	actionnetwork.com	21	Affiliate
14	3downnation.com	131	Affiliate
15	mybettingsites.com	35	Affiliate
16	betrivers.ca	48	Operator
17	gamingtoday.com	113	Affiliate
18	thescore.bet	18,287	Operator
19	onlinesportsbetting.net	11	Affiliate
20	miamiherald.com	271	News

Source: All data from SEMrush, week commencing June 20, 2022



those from trusted new sources. From the table above, it's worth noting those seriously considering Ontario as a target market are taking a more in-depth look at the specific pages that are ranking and the type of backlinks (and associated strategy) that are pushing these sites forward. However, as the market matures, we might see these news and info-heavy/highly region-specific affiliate sites fade out of view.

Over time, a critical mass of bettors will be as informed about legalities, industry news, and regional specifics and will likely move on to more specific searches about the player experience — best odds, bookmaker reviews and so on — while also potentially being more influenced by the power of brand.

Let's take a look at current CA rankings for another term we'd expect to be a key SEO battleground: Online casino Canada.

Looking at the swathe of affiliates that currently dominate for this particular term is very notable — as well as the fact that few of the licensed entities now active are showing much dominance in SEO. However, this may well be an ironic by-product of the licensing process where entities that may have historically operated in a somewhat gray manner have dialed down their operations in order to become accepted as 'legit.'

On the flip side, there's also the presence of comparatively by-the-book entities that have no prior SEO footprint in Canada due to not being licensed and as a result have some catching up to do.

Americans crossing into Ontario

When it comes to keywords, the savvy Canadian-focused brands will still seek out traffic from US audiences, and we'd expect to see affiliates in particular making a play for these bettors. According to the regulator, so long as players are betting while in Ontario, there's no issue with where they reside.

Indeed, looking at two overtly Canada-centric affiliate brands from the list above, CasinoCanada.com and Maple-Casino.ca hold 3,000 and 1,900 keyword rankings in the US, respectively — a not-insignificant proportion of their overall search standings.

As a result, we can expect some brands to continue aiming to tempt US punters from border states — bettors who may

Online casino Canada keyword top ranked sites

Rank	Domain	Backlinks	Site type
1	casino.org	815	Affiliate
2	casinocanada.com	4611	Affiliate
3	nbso.ca	484	Affiliate
4	maplecasino.ca	18,225	Affiliate
5	onlinecasino.ca	273	Affiliate
6	mensjournal.com	907	News
7	casinonlineca.ca	407,181	Affiliate
8	covers.com	110	Affiliate
9	888casino.com	3,185	Operator
10	firstpost.com	399	News
11	gambling.com	266	Affiliate
12	onlinegambling.ca	80	Affiliate
13	casino.com	1,221	Operator
14	casinoscout.ca	449,054	Affiliate
15	playamo.com	1,447	Operator
16	bestcasinosites.net	158	Affiliate
17	bestonlinecasino.bet	161	Affiliate
18	casumo.com	2,306	Operator
19	hindustantimes.com	112	News
20	betsafe.com	670	Operator

Source: All data from SEMrush, week commencing June 20, 2022

feel the Ontario gaming experience looks to be trustworthy and more straightforward to enjoy than what's available to them locally — legally or otherwise.

What content ranks in Ontario?

In a similar picture to what we see in newly regulated US states, there are significant opportunities to rank for informational queries that those new to betting have, with long-form content, short snippets, and everything in between ranking for various phrases.

This seeming lack of pattern is no bad thing but rather should encourage brands to write the best content they can in the formats that suit them best. Assuming technical SEO is on point, the format of content itself isn't at this point a defining factor for success. However, it's also important not to underemphasize the size of the 'gray' market targeting Canada, which proportionally

seems larger than what we see in the US. What this means is that, unlike the US where many gaming brands are aiming to get ahead by brute forcing paid media, pursuing the biggest brand ambassadors and so on, there is already a hard core of SEO-first brands targeting Canada.

This is reflected in terms of the depth of content out there on gaming topics, and the fairly sophisticated link acquisition strategies that can be seen in the backlink profiles of some of the brands listed above, and many more beside.

Both affiliates and operators have reasons to be intrigued by the opportunities represented by Ontario — in population size, affinity for sports, and background familiarity with online gaming means we might expect this market to mature quickly. This has implications both for the value and quantity of FTDs to be had for regulated entities, but also for the SEO challenge ahead.

Conversion corner: Time to take stock

With the summer hiatus fast approaching, Chalkline CEO Daniel Kustelski looks back on the last few months of sports betting data to pick out the trends that operators need to consider for the rest of the year

As we hit the dog days of summer for the US sports calendar, now is a good time to look back on some of the recent state sports betting reports from the last couple of months. This will provide insights into the changes we are seeing across the industry and give an idea of what we can expect to come.

There has certainly been a refocus on the need to acquire customers at an efficient cost, but the need for increased revenue is just as critical for all operators at this point in the market's maturity.

We recently came off a run of major sports events including March Madness, The Masters, the kick-off of the MLB season, and the start of the NBA playoffs, and we can compare this to the previous year to determine growth nationally as well as on a state-by-state basis.

I'll delve into these events, the state gambling reports, and additional information gleaned from the public company reports to help determine if operators, media companies, and affiliates are still growing towards a sustainable clip.

March Madness and the kick-off of the NBA finals have been an epic opportunity for all the sportsbooks in the US to collect customers. Looking at University of Nevada, Las Vegas' (UNLV) study of sports betting handle and hold in Nevada by sport, basketball has seen the highest growth of all sports in both handle and hold.

Nevada

Nevada had more than 100% growth in basketball betting from 2020 to

2021 and the hold for bookmakers almost trebled over the same period. This clearly indicates that betting on basketball is becoming more popular and the number of fans that want to bet on basketball is growing tremendously. It should be an indicator to all sportsbooks in other states as they are most likely seeing similar trends.

Baseball notoriously accounts for a large volume of the total betting that occurs in the US. To provide some perspective, betting in Nevada typically sees approximately 20% of handle. It

has been a bit less than that over the past couple of years but it is still easily the third largest bet-on sport.

Anecdotally, when I speak to operators, it usually isn't an equal percentage of bettors on their books as the percentage of the handle is. There are fewer baseball bettors, but those bettors bet far more consistently as there are 162 games for each team before the playoffs start. Nonetheless, baseball fans are sure to place their first bet on their local baseball team, which presents an opportunity to acquire customers during



Baseball notoriously accounts for a large volume of the total betting that occurs in the US

those summer months. The Masters and the return of Tiger Woods was also a great opportunity for operators to acquire customers. My experience is that the Masters is typically 30%-35% of all betting handle on golf for the year.

There is little doubt that Tiger Woods made an impact for every sportsbook as he simply transcends the sport and generates interest in The Masters from non-golfers and sometimes even non-sports fans too.

Nevada doesn't track golf on its own but has a category called 'other' in its reporting figures. This 'other' category in Nevada almost reached \$1bn in handle, up more than 33% on the highest previous year. This indicates the value of fringe sports like golf and the rise of UFC are having an impact on betting during the less active seasons of betting.

Canada

As we await the actual reporting from Ontario, the initial reports were all very positive for basketball betting. In fact, many operators were actually pleasantly surprised by the betting on NBA over the NHL.

As reported in SportsHandle: "Ultimately, what we're seeing is that basketball is exceptionally popular. It's that live in-play [driving the betting]," said PointsBet Canada CCO Nic Sulsky, while another executive also noted that "the following breakdown of betting volume in Ontario to this point is basketball (35%), hockey (22%), and baseball (20%), with soccer, tennis, and golf accounting for about 5% each."

Colorado

Colorado's betting numbers are an interesting indication of the growth seen from one year to the next. March and April 2022 had 60%+ more handle than the equivalent months a year ago. Betting on basketball certainly contributed to the growth. Both NBA and NCAA basketball betting grew more than the total growth across all sports. Parlays were also responsible for this surge and indicate that new bettors are looking for higher margin bets.



Basketball accounts for more than 30% of all betting so far this fiscal year in Indiana

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"March Madness and the kick-off of the NBA finals have been an epic opportunity for all the sportsbooks in the US to collect customers"
//

Indiana

Indiana's betting numbers also indicate the differences in betting by state. Basketball accounts for more than 30% of all betting so far this fiscal year (which starts from July 1). That is far higher than other states and, surprisingly, baseball accounts for only a shade over 7% of the total handle. May and June will certainly give baseball the chance to catch up though.

New Jersey

In New Jersey, basketball overtook football as the sport with the most handle in 2021. This change seems significant and certainly indicates that customer

acquisition methods should take into account the changes in the favorite sports to bet on as it's likely that these changes to betting patterns will also reflect what first-time bettors will wager on.

New York

New York, which recently legalized mobile sports betting, doesn't break data down by sport. But reports from the Empire State indicate that April's handle dropped by over 10% from March handle numbers. It's possible the state may be slowing down after a relatively frenetic first couple of months where operators were aggressively bonusing customers.

Acquiring bettors is difficult. It takes an acute ability to know what sports and teams first-time bettors want to bet on and adjust marketing strategies during the year to accommodate those changes. With the recent major sporting events over the last two months, operators and media companies should be looking at the changes in betting behavior to provide insights on how to find more customers. While year-on-year comparisons for their own book and own state do provide some insights, keeping an eye on state trends should provide an additional valuable perspective.



Summer 2022: Analyses of the US online gambling market

Online Gambling Quarterly (OGQ) provides a vertical/segment-specific analysis of US online gambling operators' affiliate and SEO activities

According to the analyses carried out by OGQ for summer 2022, DraftKings leads the search engine optimization (SEO) betting rankings in the US. FanDuel leads the betting affiliate ranking and is featured on 84% of the betting-focused affiliates in the US. Meanwhile, Unibet leads the ranking in the case of casino affiliates and 888casino leads for casino-related keywords.

The top gambling advertisers on affiliate websites in the US

To benchmark brand/operator presence on affiliate websites, OGQ looked into the affiliate sites that appear among Google's US top 50 results for 20-30 betting- and casino-related keywords. The researchers then analyzed the gambling websites featured on each affiliate site.

- **Betting-specific affiliate benchmarking:** The analysis was based on 128 affiliate websites that made it into Google's top 50 search results for 20-30 betting-related keywords. FanDuel leads this ranking and is featured on 84% of the betting-focused affiliates. Runners-up: BetMGM and DraftKings.
- **Casino-specific affiliate benchmarking:** The analysis was based on 73 affiliate websites that made it into Google's top 50 search results for 20-30 casino-related keywords. Unibet leads this ranking and is featured on 68% of the casino-focused affiliate sites. Runners-up: BetMGM and DraftKings.

The top-ranked US online gambling operators

As in most online industries, ranking in search engines is a crucial success factor.

Therefore, the OGQ team prepared some analyses to answer the question of which operators are doing the best job in SEO in the US.

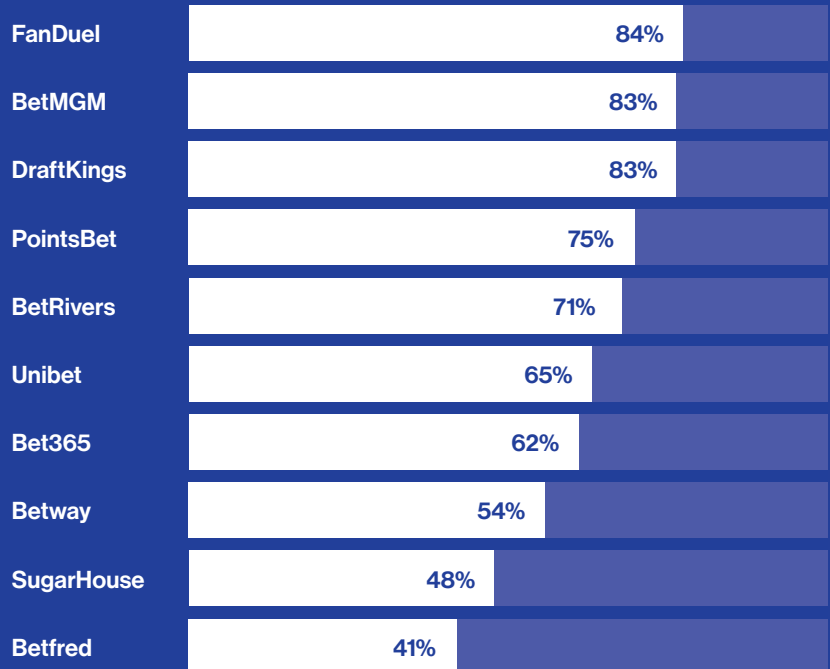
The team analyzed the top 50 Google organic search results (desktop and

mobile) for about 20-30 specific keywords (or terms) related to betting or casino (e.g., NFL betting). They then produced a search result ranking for every keyword and vertical and gave each website ranked a reciprocal number of 'SEO



Top advertisers on betting affiliate websites in the US in Q2 2022

% of affiliates (betting-focused) the operator was featured on — June 2022



Source: Online Gambling Quarterly, Google



points' regarding its rank (e.g., rank one = 50 points, rank two = 49 points, all the way through to rank 50 = one point).

The Online Gambling Quarterly team then associated each website to key online gambling brands. The focus of the analyses is on brands/websites and not on companies operating these brands. For the final ranking, the brand/website with the highest number of SEO points received the SEO score of 100. All other websites were given scores based on their SEO points in relation to the score of the top brand.

Betting SEO analysis: DraftKings leads

Across all 31 betting-related keywords, DraftKings takes the first rank. For 53% of the analyzed keywords, DraftKings was able to take the first rank (32% rank two). Runners-up: Bovada (0% rank one; 0% rank two) and BetMGM (3% rank one; 3% rank two).

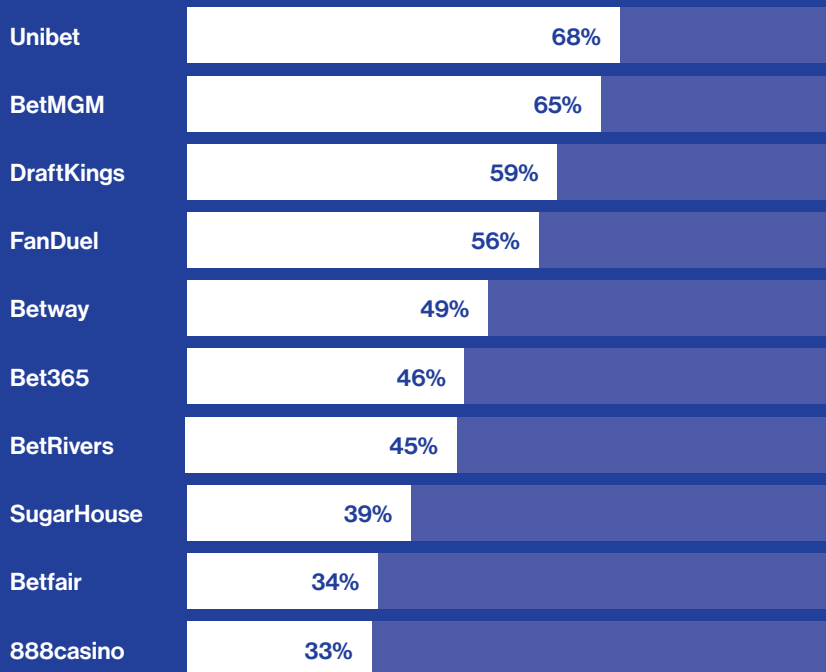
Casino SEO analysis: 888casino leads

Across all 21 casino-related keywords, 888casino takes the first rank. For 0% of the analyzed keywords, 888casino was able to take the first rank (0% rank two). 888casino was not able to get into the top search for many of the keywords analyzed but had good rankings (e.g., ranks four to 10) for most of the keywords. Runners-up: Caesars Casino and Parx Casino.



Top advertisers on casino affiliate websites in the US Q2 2022

% of affiliates (casino-focused) the operator was featured on — June 2022



Source: Online Gambling Quarterly, Google

SEO benchmarking for betting- and casino-related keywords in the US in Q2 2022

USA — June 2022 — highest score = 100



Betting

DraftKings	100
Bovada	74
BetMGM	71
FanDuel	56
Betway	40



Casino

888casino	100
Caesars Casino	99
Parx Casino	88
Bovada	84
FanDuel	67

Note: SEO ranking score based on ranking on local Google searches for cc. 20-30 casino- and betting-related keywords; normalized: top-ranked operator = 100

Source: Online Gambling Quarterly, Google

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Data and performance and statistics



Market & Competitor Analysis

Stocks tracker: Market meltdowns put a dent in operators' valuations

EGR NA analyzes the share price movements of key players in the online gambling space, with a focus on DraftKings and Super Group

In the US gambling market, DraftKings' stock has seen the most turbulent journey. So, it proved this quarter with DraftKings continuing its blockbuster decline, dropping 16% from an already catastrophically low close of \$16.41 per share on April 12 to \$13.60 on June 27. Even a temporary bounce around the publication of the operator's Q1 2022 results on May 6 couldn't bring the numbers up, with DraftKings twice being impacted by Nasdaq-related falls on May 10, which saw its price drop to a low of just \$10.27, and on June 16 as well, when the firm's shares slid once again to \$10.72 per share.

Despite the perceptible distance between the two in terms of their US sportsbook journeys, Super Group and DraftKings endured very similar fortunes during the quarter, with both suffering the knock-on effects of twin Nasdaq slumps. Starting at a high of \$10.06 per share on April 12, Super Group stock fell by more than 55% in trading to just \$4.24 on June 27.

The Betway parent company's stock tumbled dramatically on May 23 when lower-than-expected Q1 2022 results and the potential for missed financial targets triggered a three-day slump from \$8.94 to \$6.03, a drop of almost 33%. Super Group's shares have since flattened out but still remain at their lowest level since the firm went public through a SPAC back in January.

Increased volatility has also seen drops at Penn National Gaming and Rush Street Interactive, which have lost half their value over the last 12 months.





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Data analysis

Bonus Index data

The BonusFinder Bonus Index: Where do consumers benefit most?

In the first in a new series of articles, BonusFinder presents the latest Bonus Index data, tracking quarterly performance and ranking the top US states and Canadian provinces on how favorable each one is for consumers

Just about now, regulated online US sports betting will have been live for four years, with 30 states plus the District of Columbia opting to regulate sports betting, and six opening their doors to casino. According to the American Gaming Association, brick-and-mortar and online/mobile businesses generated \$53bn in revenue in 2021, with Q1 2022 setting a new record of \$14.4bn. Three of the 30 live states set quarterly records, including Arkansas at \$147.4m, Florida with \$182m, and New York at \$996.6m.

Much has changed in four years with opportunities exploding across the board — including Ontario, Canada's most populated province regulating in April this year — however, many US states are still deciphering how to strike the perfect balance between a sustainable tax regime and a competitive market. Equally, brands are grappling with the most sustainable ways to acquire and retain customers and provide them with the best experience, with big names struggling to balance marketing spend with bottom line profitability.

At BonusFinder, we have created the Bonus Index to track 22 regulated US states and Canadian provinces' quarterly performance, and how favorable each one is for consumers — something no other index monitors. We achieve this by using a wide variety of factors within all current and future regulated sports betting and casino states and provinces. This includes the number of licenses and licensees and average bonus offerings across all licensed brands to calculate an overall Bonus Index score. By focusing on the consumer experience and compe-

titution among operators to attract those consumers, we can easily identify which states will be the long-term winners.

The results in the last year have been fascinating and, with more states and provinces regulating, the race is on to secure a top spot and maintain that momentum in the long term.

Ontario versus Canada versus New York

The most significant news stories of 2022 so far have been Ontario and New York opening, both vying to become the biggest gambling markets in North America — at least while California gets its political ducks in a row — but both with differing approaches on how to manage regulation, taxation, and welcome/bonus offers.

In November, our Index predicted that Ontario would become the most attractive igaming market in North America for both players and brands, surpassing all its US online counterparts. Its combination of a population of 15 million, strong sportsbook and casino player volumes, an estimated 70+ brands looking to be granted licenses, all within a competitive market and battling for players by offering appealing casino bonuses of approximately \$866 and an estimated sportsbook bonus of \$395, means it would top the rankings. If all went well.

With no official revenue figures announced from the regulator to this point, it's difficult to measure. What

we do know, however, is there are fewer operators live than expected and, if we look at comparative Bonus Index figures, Ontario's online marketing rules are potentially seeing players not being offered competitive enough bonuses and diverting their deposits to other, potentially unregulated sources.

The potential blocker here are measures preventing third-party sites from promoting bonuses and only allowing bonuses to appear on licensed operator websites. This means that Ontarians cannot compare or 'shop' from a selection of offers to determine which is the best for their budget, playing style, or personal preferences.

From a predicted top position in the Bonus Index in November 2021, Ontario has fallen to 17th in May 2022. This is in stark contrast to the upcoming regulated states of Maryland and Ohio, new entries in first and second place, respectively (and several rungs above seventh-placed New York) due to more expected licenses and a lower level of taxation which will enable operators to entice players with higher but equally more sustainable welcome offers.

Pennsylvania, one of the first states to regulate online sports betting and igaming, has suffered a similar fate in recent months, dropping from a top-five place to just above Ontario in 16th, due, again, to a limited number of licensees and lower welcome offers due to higher taxation, thus presenting players with an inferior offering than other states.

We do believe, however, that Ontario will bounce back, benefiting from offering both casino and sports betting and



a strong player appetite for both verticals, while the entry of more licensed brands in the coming months should see it rise up the rankings, increasing competition and consumer choice, and the ability to offer local players more attractive bonuses.

New York brands pull back on inflated bonuses

New York, meanwhile, was previously hailed as the shining light of the US online betting market with a population of 20 million and higher than average levels of disposable income.

For a time, it hit record revenue, but the last quarter has seen it remain seventh in the BonusFinder Index with operators publishing large losses, slashing marketing spend, and offering mind-blowing initial welcome deals and player volumes falling as a consequence.

The reasons for New York's temporary demise and its lower Index ranking are clear: it has the country's highest tax rate, with Caesars losing \$500m in Q1 alone and Bally Bet not even launching due to an "insane" climate. The limited number of licensees has made for a less than competitive market with fewer options for consumers. No regulated igaming has meant smaller states have risen above it in the Index, while cutbacks in marketing spend — from matched launch bonuses of \$3,000+ that artificially inflated revenue — has seen brands reduce offers, making it less competitive than neighboring states.

The states of play

Overall, more states have slipped down (11) the BonusFinder Index Table than have risen (eight) compared to the previous quarter, indicating that brands are either severely cutting back or more likely 'recalibrating' their marketing spend and, crucially, their bonusing strategies which previously saw the highest regulated bonuses globally. Those states that have remained in the same ranking position have kept their bonuses at similar or flat rates.

Of the forthcoming regulating states, the BonusFinder Index forecasts Mary-

BonusFinder Bonus Index Table

State	Market launch	Online products available	BonusFinder Bonus Index
Maryland (Upcoming)	2022-2023 est.	Sportsbook	12
Ohio (Upcoming)	2023 est.	Sportsbook	11.2
New Jersey	Aug-18	Sportsbook & casino	7.7
West Virginia	Aug-19	Sportsbook & casino	6.1
North Carolina (Upcoming)	2023 est.	Sportsbook	6
Michigan	Jan-21	Sportsbook & casino	5.9
New York	Jan-22	Sportsbook	5.7
Minnesota (Upcoming)	Unknown	Sportsbook	5
Kansas (Upcoming)	2022-2023 est.	Sportsbook	4.9
Colorado	May-20	Sportsbook	4.6
Louisiana	Jan-22	Sportsbook	4.6
Iowa	May-19	Sportsbook	4.3
Indiana	Oct-19	Sportsbook	4.2
Arizona	Sep-21	Sportsbook	4.2
Virginia	Jan-21	Sportsbook	3.8
Pennsylvania	May-19	Sportsbook & casino	3.1
Ontario	Feb-22	Sportsbook & casino	2
Connecticut	Oct-21	Sportsbook	1.4
Tennessee	Nov-20	Sportsbook	1.4
Illinois	Jun-20	Sportsbook	1
Wyoming	Sep-21	Sportsbook	0.6
Florida (Discontinued)	Unknown	Sportsbook	0.4

Source: BonusFinder.com

land and Ohio as the top two highest performing for brands as well as the most appealing for players.

In an ideal world, both could launch almost simultaneously, however Maryland rule makers appear more hesitant, while Ohio has a seemingly firmer date, with January 2023 penciled in for launch with as many as 46 sports betting licensees. These brands will also be granted the advantageous opportunity to sign customers in the run up to regulation, and this could prove particularly beneficial, with the ability to market to players during the start of the NFL season in September, the NHL season in October, and the soccer World Cup in November.

Ohio also has the added advantage of almost twice the adult population of

Maryland and two major NFL franchises in the Bengals and Browns, with Cleveland, Cincinnati, and Columbus home to major league pro teams in baseball, basketball, hockey, and soccer. With that in mind, it could be some time until states such as New York come back to form.

In summary, we expect Q3 and Q4 will see the continuing and broader state-wide realignment of marketing and bonus strategies and the first signs the US market is reaching its first stage of early maturity, while a boost from new licensees in Ontario will likely see it climb higher in the Index. However, this may alert other provinces that less stringent marketing rules could arguably be more beneficial for consumers immediately from launch and not post-regulation.



Q&A: State of the union

EGR North America talks to AGA president and CEO Bill Miller about the trade body's journey to 30 states plus DC with legal sportsbook markets, how public and political perception towards igaming in the US is changing, and why it could very well shape the future of the regulated industry

When you think about American gambling, the images of Las Vegas and Atlantic City come to mind. Rows and rows of slots machines, roulette wheels, and blackjack tables, replete with a rich and diverse history and mythology. It's a depiction that has very little in common with the reality of US gaming today, particularly with the explosion in online gambling. In this environment, past, present, and future have seemingly collided in one of the largest gambling melting pots in the world. The American Gaming Association (AGA), with its genesis in commercial gambling but membership increasingly coming from the online sector, is perhaps one of the few groups which can negotiate these factors to create a truly omni-channel US market.

EGR North America (EGR NA): *How has the AGA's role as a trade body changed throughout your tenure?*

Bill Miller (BM): It's certainly been a remarkable period. I joined the AGA in January 2019. In the US, most state legislatures meet for somewhere around 90 days, typically in the first three months of the year. To put this into context, there was the Supreme Court ruling in May, and some of the legislatures were able to act quite quickly but most began the process of formulating their own sportsbook legislation in the January to March window, so my job became quite busy quite quickly. Add to this, my very first day in the job was the day the US Department of Justice reinterpreted the Wire Act, which was an interesting and

consequential day in how transactions could take place between the states.

I helped with messaging, ensuring that legislators looking at legalizing sports betting understood the important components. One of these is the tax rate. We know there is a well-established illegal market out there and if you're going to build a better framework that's legal, protects consumers, provides tax revenue, plus jobs and opportunities for individuals, the tax rate really matters.

Ultimately, we're competing against the illegal market which has a decade's-long head start. So, we had to make sure we are framing it in a way that not only draws consumers to a better, safer product, but to one where odds can be produced and created comparable to the illegal market.

EGR NA: *How important is it as the AGA's president and CEO to effectively balance the interests of online operators and commercial gambling companies?*

BM: We have a diverse membership of commercial operators, tribal operators, manufacturers, suppliers, sports betting operators, regional casinos, and the Vegas/Atlantic City crowds, so there's a lot of voices to listen to. Trying to find common ground is one of the most important jobs I have and we've made a lot of progress, specifically as it relates to things like brick-and-mortar versus igaming. The evolution of thinking among industry leaders is that it's not a zero-sum game anymore. The omni-channel experience has become the norm for operators.

I met up with one of the land-based

operators, who had previously expressed a negative viewpoint on igaming and betting, to see how things had changed. He said: "Look, I may only get customers to come to my properties five to 10 times a year, but with sports betting and igaming I can use my customer database and loyalty programs to communicate with them a lot more. I can get to know my customers better; I can understand what they like and what their sports betting habits are, and work accordingly to meet them." This was an operator that historically had been just brick-and-mortar, but then had to embrace online due to the Covid-19 pandemic.

There's been great evolution among almost all of the major brands as they recognize the value of communicating with consumers through igaming and sports betting following Covid. This has been borne out in the fact that we've seen growth in igaming numbers but not seen a likewise deterioration of brick-and-mortar. In fact, we've seen strong growth in table games, slots, and EBITDA as it relates to specific properties, as well as very strong growth in the igaming space and sports betting states.

EGR NA: *How would you describe your relationship with the AGA's members? How often do you consult with them?*

BM: Almost every day. For me, a good membership organization spends a lot of time with its members, whether physically or remotely via Zoom calls. We have a strong board and executive committee that are in constant contact with our members because we're grateful they invest in the AGA to help



Regulated sports betting has generated \$12.54bn in handle since PASPA was struck down in 2018

advance their interests and do the things they can't do themselves. As a trade association, you're able to work on behalf of the collective, so when you go before a regulator, politician, legislator, or governor, you're able to be the voice of the whole industry, and there's a lot of power in that. We spend a lot of time with our members trying to find alignment which enables us to become more effective on their behalf. That requires a lot of interaction and engagement with the specific members.

EGR NA: *It's been four years since the repeal of PASPA. Are you surprised by how quickly regulated sports betting has spread since then?*

BM: I'm not surprised that Americans, and particularly American politicians, have taken up the cause of allowing Americans to bet on sports legally. I think it's down to one important realization — Americans have bet on sports for as long as there have been sports to bet on — they've just not had the opportunity, with the exception of Nevada, to do so legally. We're now up and live in 31

markets, since PASPA was repealed, generating \$12.54bn in handle, \$8.8bn in revenue, and over \$1.3bn in state taxes paid. If anything, I'm a little surprised with the quickness of the rollout. There were certain states that were ready to go on day one when the Supreme Court ruled — Delaware and New Jersey being first among them — but what we saw immediately after that was state legislatures saying they wanted their citizens to have a legal, safe, consumer-friendly way to place wagers on sports that they love so much.

EGR NA: *Would you support federal regulation rather than it being on a state-by-state basis?*

BM: I can't imagine any scenario where we would support a federal regulation of sports betting. That's what PASPA was, a federal statute which enabled the illegal market at the expense of every other state with the exception of Nevada. We were ecstatic when the Supreme Court agreed that it is important that individual states determine what level of gaming they want. We've got 4,000+ regulators

around the country that do this every day and they do a great job of it. The will of the people in each state is the right manner in which gaming should be regulated, with PASPA showing that at a federal level it was a failure. With every state that legalizes sports betting or igaming, it brings increasing expertise at the local level. They have a far better sense of what the public in their states want than the federal authorities, so I don't anticipate any rational reason for federal legislation. I think that we would reflexively be quite bearish on anything that would allow for federal intervention because it comes with additional regulation, and almost always comes with additional taxes. The federal government will always want to get paid for such an enterprise.

EGR NA: *Igaming is currently legal in just seven states, so what is the AGA doing to redress the balance in terms of getting igaming on state legislatures' radars?*

BM: One of the unique elements of the US gaming market is that it's 51 different gaming markets and they all get to determine how much gaming they want. Some states will have sports betting, igaming, brick-and-mortar casinos, lotteries, and some states might not have any. Add to this the tribal nations with casinos and the igaming component is still a very small part of a much larger puzzle for legislatures, governors, regulators, and stakeholders to weigh in on.

We're up to seven states in the US that have igaming. I anticipate that number will continue to grow, but I think that ultimately it is up to the individual stakeholders within the individual jurisdictions. The AGA doesn't really have any expectations on how this might grow. We try to find a consensus within what is a very diverse membership.

There has been a significant evolution for many of the old brick-and-mortar operators around igaming, mobility, and digital payments, all things I thought were very important when I first got the job as CEO. Furthermore, here's an industry that's incredibly modern, high tech, provides world-class entertainment and accommodation, yet the casino floor remains one of the last places in America where you do business in cash.

It was my view that the AGA needed to try and understand what the barriers

are to making changes the consumer wants. Consumers these days are not carrying cash. They are using credit cards, phones and smarter ways to transact. They are certainly not paying for most discretionary products with cash. So, how does this translate into the brick-and-mortar dynamic and what are the issues that are holding us back? The AGA needed a more modern approach and Covid was exceptional in accelerating that evolution, both from an operator perspective and a regulatory and legislative one.

Financial institutions, like Mastercard, Visa, Amex, have looked at the opportunity of increased sports betting, mobile, and igaming (particularly during the pandemic), which they have had a negative impression of historically, and said “we need to rethink our stance.” The issuing banks in the US ultimately have the most power in determining whether or not these particular types of transactions are acceptable, so having that change was a big step.

EGR NA: *How have state legislators and local groups' attitudes towards sports betting changed following its spread across the US?*

BM: Number one, I think policymakers understand we're an economic engine. We're a great job creator and a high taxpayer. Going back to PASPA, more than \$1.3bn of taxes have been paid through sports betting since the repeal. Number two is how the public views the industry. This is an industry that started with some very colorful characters. People still talk about Bugsy Siegel and how Vegas got created — there's a great history — and someone will raise the old stereotypical opinions that when casinos come, property values drop, crime goes up, and the moral decay of the community will follow.

The reality is that this has very little in common with today's industry and none of these things happen. We create important jobs. When legislators consider where brick-and-mortar properties are going to go, they never put them in the most affluent neighborhoods. They put them in more deprived areas in the hope that this influx will drive a rehabilitation of that area. We go into communities and we rebuild them. We become the economic hub that brings in another

restaurant, retail complex, or hotel, and we see it time and time again. In places where there is very little economic activity or opportunity, we're able to create not just jobs but huge, important economic revitalization. So, as far as we're perceived, compared to the actual reality of the situation, it's night and day.

EGR NA: *Where do you see the US sports betting, igaming, and commercial gaming industries going in the next five years?*

BM: I'm not sure whether we're going to be able to sustain the growth we've seen so far this year. There will probably be some tapering off in our upward trajectory. But look, the industry is dynamic, it's constantly reinventing itself and, as we've come out of the pandemic, we've increasingly figured out what the role of sports betting and igaming is and how it meshes with brick-and-mortar. I'm excited about where the industry is going but I also worry about the illegal marketplace, particularly the offshore

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“Two-thirds of American adults think that gaming provides a positive benefit to the US economy, and more than nine out of 10 adults view gambling as an acceptable form of entertainment”
 //

online sportsbooks and the gray-market machines that are proliferating across the country. Each time we're able to release the next monthly numbers, what we see is something that gives us a lot of optimism, but that optimism is tempered by threats.

As an organization, our job is to laud the economic successes but also to be concerned and pay attention to the threats that exist, but fortunately public opinion is not a threat to our success. Two-thirds of American adults think that gaming provides a positive benefit to the US economy, and more than nine out of 10 adults view gambling as an acceptable form of entertainment for themselves or others. We're in a place that is very different to jurisdictions like

the UK, but in terms of the perspective of the media, public and political spheres, and the regulators, I think we sit in a really good space. We need to ensure we stay on that trajectory the best we can. I'm really excited about the next five years.

EGR NA: *How important is it to the AGA to encourage responsible gambling?*

BM: I think it's critical to the success and sustainability of the industry. Our members have committed huge amounts of money to help study problem gambling and we have invested substantial amounts of time and resources to ensure that while sports betting rolls out legally across the US, it does so in a responsible manner. The AGA started off discussing responsible marketing and advertising through our code of conduct, but then progressed to create our own public service announcement campaign, ‘Have a Game Plan, Bet Responsibly.’

Our members use the campaign and partner with it. It's intended, in addition to our principles surrounding advertising, to serve as a plug and play mechanism for all of our new business partners, whether it's leagues, teams, arenas, broadcasters, etc. This campaign aims to help them understand that there's a lot of financial upside arising from sports betting for your franchise, league, broadcast, and so on, but there's also a responsibility there too.

We want members to recognize that it is a shared responsibility; that they, along with us, must make sure the consumer, who may have previously been betting illegally on events, is introduced via activations in arenas, stadia, and online to our member-partners in a responsible way.

We want to make sure that we get this part right because in markets like the UK, Spain, Italy, and Australia, they got it wrong. We have the ability to learn from these markets on what advertising looks like, to get ahead of things like responsible messaging, budgeting, and so on. We're working with partners in the problem gambling space, whether it be academics, scientists, or problem gambling groups specifically, to better understand how to treat people who have problem gambling disorders and, most importantly, keep them from getting to that place.



The startup corner: The difference a year makes in the igaming space

In the second column in this series, Avenue H Capital's Benjie Cherniak looks at the recent downturn in the igaming market, what this means for new startups, and reasons to be positive

Backtrack to the midpoint of 2021 and the igaming frenzy had reached a fever pitch. Surging stock prices, M&A at staggering revenue multiples, and startups commanding lofty valuations were all the norm. Then the clock struck 2022 and the walls caved in.

Gaming stocks began to nosedive alongside the public indices. Gradually, the public downturn made its way to the private sector, impacting deal flow, valuations, and investment. According to a recent Carta report, 25% less capital was invested in seed stage companies in Q1 2022 versus Q1 2021, and that is unlikely to change when we see the Q2 2022 figures.

So, what does all this mean for today's igaming entrepreneur preparing to raise money for their shiny new startup? It means the task at hand will be tougher than expected. Here are some tips for startups raising capital today:

- 1. Find that path to profitability:** It may seem unfair that as recent as a year ago revenue was the primary, if not sole, driver of valuation metrics, but the times they are a-changing. To raise capital today, one needs to outline not only how long it will take to turn a profit but each of the steps it will take to get there. The clearer the path to profitability, the clearer the path to a killer capitalization table.
- 2. Be (very) flexible with valuation expectations to secure the right partners:** Today's astute entrepreneurs prioritize partnering with investors and advisers who will be additive to their journey

without focusing on valuation too heavily. While that mantra applies in all market conditions, it is amplified in a downward market in which startups need all the help they can get to soften the landscape they are penetrating. Moreover, a reasonable valuation today can fuel tomorrow's growth, as it will be easier to raise more capital going forward if the starting point is deemed practical.

3. The lean mean fighting machine approach: Take a lean approach regardless of how much money is raised. Investors understand that capital is required to grow but simultaneously need to get comfortable knowing that, in today's tough market, every dollar spent will help move the ball down the field.

4. The glass is always half full: It's not all doom and gloom out there. Sure, the market has been tough this year, but igaming startups are still in a very strong position overall.

A positive outlook

The igaming industry itself is in great shape. The market may be struggling today but the industry as a whole isn't. Handle is growing, states are opening, technology is evolving, and product is improving. Operators and suppliers are seeing a path to profitability. Leading media companies are in the mix, as are the teams and the leagues. Sports betting and igaming are gaining widespread cultural acceptance. The economy at large and public markets can swing up and down, but the industry will only be

moving forward, at least for the foreseeable future.

The capital is still out there. There's still plenty of interest in our space. In fact, many venture capital firms view the current market as a perfect opportunity to invest because valuations that were previously lofty are now far more practical, with deal terms that are more flexible. It is also worth bearing in mind that venture capital firms raised record dollars from their limited partners in 2021, and that is capital that will be deployed sooner rather than later.

A hot deal is a hot deal is a hot deal. There will always be high-quality financial and advisory backers for entrepreneurs who have found the optimal balance between product fit, team, and a winning gameplan, combined with an approach to market that is rooted in integrity and practicality. Stacking the deck with such dynamics maximizes the chances of securing capital, regardless of market conditions.



Benjie Cherniak is an investor as well as an adviser to emerging companies in the sports betting space via his company Avenue H Capital. Previously, he was principal and MD at Don Best, the leading provider of in-play pricing services and sports information products relevant to the North American sports betting industry, which was acquired by Scientific Games in 2018.

How to make it big in the regulated US igaming market

With US states bracing themselves for their second wave of entrants, Compliant's Justin Stempeck discusses the ways service providers can help to fuel success

Regulation in the US is a constantly evolving phenomenon, making it a difficult environment to navigate for the uninitiated. Knowledge of regulation in other countries does not necessarily translate well to the US, where each state operates like its own country. Due to the disparate nature of gaming legislation in the US, operations pose a unique challenge, with companies required to evaluate and understand a host of different regulatory requirements.

The first wave of online sports betting has largely been dictated by operators sprinting into the market and aggressively spending to acquire as many customers as fast as possible. As the market has matured and state launches have slowed, we expect to see product differentiation being the ultimate key to success. Annual spends of hundreds of millions of dollars for marketing and promotions are only feasible for a handful of operators and only for a short period of time, even for those companies.

The industry has already seen some operators publicly acknowledge the impracticality of this approach with either a cutback on spending or a retreat from the market altogether. Certain jurisdictions, such as Ohio, that provide an opportunity for numerous types and levels of operators, will be an interesting proving ground to see how product creativity and differentiation competes against a more marketing spend-focused approach. Wider markets, like Ohio, also come with challenges for smaller operators, suppliers, and vendors which

may not have internal compliance teams of their own.

Keeping track of all these events, as well as each new market and its unique features, is a challenge, representing a complicated but necessary process. There are a variety of service providers that can simplify the whole process with expertise that helps guide those new to these emerging markets, as confusion tends to surround the launch of any new state in terms of who needs licensing and what type, plus the multiple details involved in the submission of licensing forms and associated paperwork.

A closer look

The fluid nature of regulation in the US means it is paramount to stay on top of any changes that arise. As the market matures and regulators adapt to a 'post-launch' mentality, they will likely take a closer look at their regulations and begin to hold everyone they regulate more accountable to specific requirements that were waived in a rush to launch. We expect regulators to more closely look at internal controls and licensing once they reach a steady state of operations. This additional scrutiny will almost certainly result in an increase of fines in the industry and the need for extra compliance checks and balances.

Advertising regulation specifically will likely become stricter in response to the over saturation of various markets. Ontario was an interesting recent example where the regulator did not require licensing of marketing affiliates but does hold operators responsible for any

malfeasance of their marketing affiliates, significantly expanding the scope of risk for all operators in the province. There is also the potential that public backlash in a heavily advertised jurisdiction that does not require licensing of vendors could lead to the imposition of a licensing regime on marketing affiliates. Even without required licensing for such vendors, many jurisdictions, including Ontario and Ohio, have a plethora of regulations concerning advertising.

Even as the US market grows out of its initial launch years, it is unlikely that regulation will become easier or more uniform. While licensing obligations vary from state to state, any public scandal involving any major operator, supplier, or vendor in the sports betting ecosystem could result in additional regulation or licensing in any previously 'light touch' jurisdiction. Any long-term planning with respect to compliance should include a future that will likely require more licensing and more compliance obligations, not fewer.



Justin Stempeck is currently chief strategy officer at Compliant. Having previously held roles with the Massachusetts Gaming Commission, where he worked as a regulatory attorney, and DraftKings, working as director of licensing, he joined Compliant in 2021 to build a solution addressing the compliance needs of companies large and small.



Taking a bite out of problem gambling in the Big Apple

Entain Foundation US trustee Martin Lycka discusses how those operators that have been successful in entering New York now need to step up and address problem gambling in the Empire State

Since mobile sports betting launched in New York on January 8, the industry has been in a perpetual state of gambling frenzy. New Yorkers bet \$1.39bn on sports in April and a staggering \$1.64bn in March, while the state's live operators earned over \$104m in revenue in May.

With all the attention that's being paid to a booming industry and massive tax revenue, there hasn't been an accompanying focus on a key threat to gamblers and the industry as a whole: problem gambling.

While the vast majority of people who gamble do so responsibly, five million Americans may experience a gambling problem every year. The effects of gambling addiction extend far beyond the addicts themselves, often negatively impacting their communities and families along the way, and these effects may be further heightened as gambling becomes more widespread throughout New York if operators don't enact stronger responsible gambling measures.

New York levies a 51% tax on gambling companies' gross revenue, more than any other state in the country. Thanks to this overwhelming tax rate, New York collected \$216.6m in taxes from its eight live operators since the January 8 launch through April. Governor Kathy Hochul applauded that "we've seen how mobile sports wagering can be an economic engine for New York, driving significant funding for schools, youth sports, and so much more," which raises the question: why aren't responsible gambling measures at the top of that list?

Owning the problem

While this revenue helps a range of programs throughout the state, it's not a sufficient remedy for problem gambling within the state. A larger portion of this tax revenue should be dedicated to helping problem gamblers, not just through treatment centers but through research into the root causes of addiction and how operators can incorporate the data into their safety protocols.

While the state has its own role to play in addressing problem gambling, the onus is largely on gambling companies to protect their consumers — not only because they bear the responsibility of managing the products that people gamble on, but because they are most capable of enacting changes that can reduce the threat of problem gambling.

Operators should utilize all technologies available to track problematic gambling behavior and restrict those gamblers' access to their platforms. Gambling companies are able to collect a range of data points that highlight addictive gambling behavior, or 'markers of protection,' and these must be incorporated into their compliance and safety practices.

Gambling companies should consistently re-evaluate their regulatory compliances to ensure they're meeting the changing needs of gamblers and addressing new ways that gambling habits can become unmanageable.

A helping hand

Operators can also fund responsible gambling initiatives that are exploring

new ways to reach gamblers and those in high-risk groups, like college athletes, veterans, and others. For example, Entain Foundation US (for which I serve as a trustee alongside Princeton Public Affairs Group partner Bill Pascrell III, and former New York Giants wide receiver Amani Toomer), sponsors or partners with a range of responsible gambling organizations, sports teams, and leading research institutions.

New York's gambling industry cannot hope to continue if it doesn't adequately address problem gambling in all its forms. Beyond the ethical obligation that operators have to protect their customers from harm, gambling companies are dependent on a healthy customer base, a sensible regulatory environment, and collective public support to survive. None of these dependencies can be assured so long as problem gambling continues to injure New Yorkers.

It's up to the companies that facilitate gambling to do their part in protecting vulnerable populations. We're past the point of awareness; it's now time to take action.



Martin Lycka is a trustee for Entain Foundation US, a non-profit dedicated to promoting responsible gambling, sports integrity, and corporate compliance in the US. He is also senior vice-president for American regulatory affairs and responsible gambling at Entain.

The importance of F2P content to attract and retain new customers

Brad Vettese, CEO of Tally, explains why free-to-play (F2P) games are evolving to become a key brand activation tool for sports betting operators

What's the best way to make a small fortune? Start with a big one. It is an adage that once applied to owning a sports team, but it applies equally to sportsbooks adopting a scattergun approach to player acquisition.

The bottom line is this: securing customer deposits is the prime objective for every sportsbook. At the same time, there is widespread concern, even among operators, that their bottom line is being impacted by unsustainable marketing spend. Bombarding players with traditional media advertising while showering them with lavish bonus incentives is a way for those with big pockets to establish market share, but it is very expensive and unrealistic in the long term.

Sportsbooks need to ascribe to an awareness, consideration, and preference model to attract and retain new customers. They benefit from top-of-the-funnel awareness through sponsorship opportunities during live sporting events. This is hugely effective and cost efficient in raising brand awareness.

Moving sports fans and potential bettors to the consideration phase is a crucial step that will ultimately increase the likelihood of converting individuals into depositing customers. Delivering fans to the front door of mobile app registration through an appropriate, relevant, clickable offer during a live game is an approach that has produced excellent results.

Free-to-play (F2P) content has long since been a useful way for sportsbooks to engineer interest and engagement

with a key audience. Yet the phrase F2P itself does very little to capture the significant role that these games play in the value chain within legalized sports betting. It can, and should, be far more powerful than simply providing fans with a fun prediction game to play before the live action starts.

This space is evolving rapidly, with F2P providers now recognized as true brand-activation platforms. The data captured from these platforms provides sportsbooks with access to segmented, addressable data for performance marketing programs that they can use to better understand their audience.

Understanding your audience

Above all else, sports fans enjoy engaging with their favorite teams and players, which is what makes F2P content so appealing in the first place. Individuals are moving away from full-session viewing and prefer snackable content, so these games are now being adapted to ensure end users are interacting within a suitable time frame but are still attractive enough to spark engagement.

From a betting industry perspective, knowing the target audience for these types of games is critical. Typically, those playing games with the chance of winning free tickets or sports jerseys will be different to players who will be drawn to a no-risk \$200 bet. Instead, offers which resonate more with sports fans are typically those that carry low stakes and high rewards. The threshold must be low, but not so small it feels too good to be true and falls into scam territory.

Shaping the future F2P experience

At present, it is estimated that only 25% of US sports fans are either betting or planning to wager on sports as new states embrace mobile sports betting. That is a big opportunity for sportsbooks to acquire and retain casual fans as depositing customers.

To achieve this, brand activation and fan engagement platforms need to be tailored to the casual sports fan that focuses on the education of betting. We need these types of fans to be more comfortable with the language and mechanics of sports betting, enabling the industry to increase the overall market size, leading to increased conversion rates for operators.

As competition intensifies within sports betting, return on marketing investment will be vital for sportsbooks. The next iteration of brand activation platforms will take the F2P idea to the next level and play a key role in the conversion of new customers as operators inevitably seek to move towards a sustainable future.

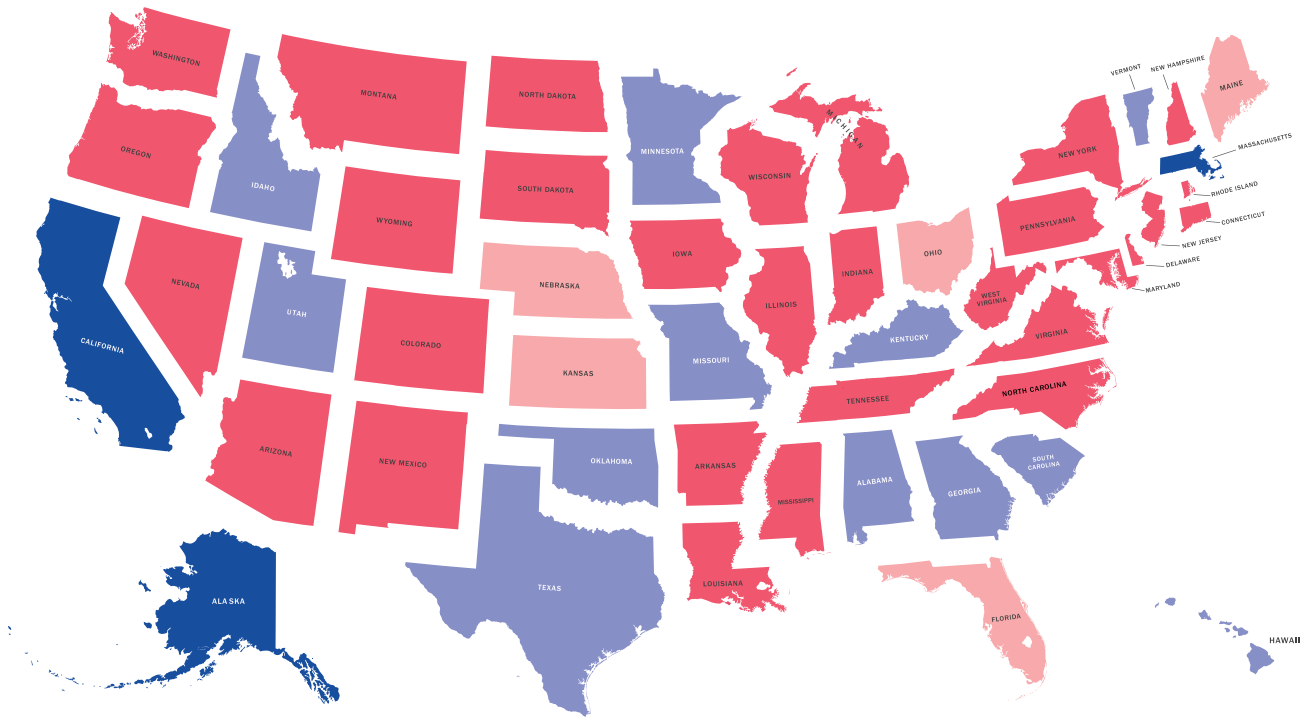


Brad Vettese is CEO of Tally, a continuous fan engagement platform utilized by sports-

books, broadcasters, leagues, and teams to drive fan engagement and retention through prediction games and trivia, while creating new revenue streams through sponsorship, player conversion, and data creation.



The state of play



- Live and legal
- Legal but not operational
- Active or pre-filed legislation in place
- No legislation

Each quarter we investigate which states have launched sports betting, those that have yet to launch but have legalized betting, those that have embarked on the journey to regulated sports betting, and those where the prospect of regulated sports betting is not currently present.

The last quarter has seen contrasting fortunes for some states, including Maine and Kansas, which both moved a step closer to regulated sportsbooks, and North Carolina and Minnesota, where betting advocates endured frustrating defeats at the same time. Governors in Maine and Kansas signed sportsbook bills into law, with both aiming to launch in time for the next NFL season.

Maryland's faltering ambitions received strong support from intervention

by Governor Larry Hogan, although no one is holding their breath on that front. Ohio furthered its own sportsbook timetable with the publication of its licensing standards during the quarter as well, with the state hoping to launch by a hard deadline of January 1, 2023.

The major disappointments during the quarter included Minnesota, where legislators postponed bill HF 778 due to disagreements over the licensing of both online and brick-and-mortar operators, particularly racetrack operators, dealing a fatal blow to the state's hopes for legalization this year. Despite a record passage through three separate house subcommittees, a pair of North Carolina online sportsbook bills failed to pass a decisive final vote, killing all potential for digital betting in the Tar Heel State in 2022.

Canada focus

While the first quarter of Canadian sports betting saw a whirlwind Ontario market launch, Q2 could easily be categorized as a light breeze. The Ontario provincial regulator is soon to publish the first set of data on the development of the market since its April 4 launch, something which should give observers a better understanding of how the regulated market is functioning.

The only notable development in Ontario following the launch was the issuing of the first two fines, totaling C\$78,000, by the Alcohol and Gaming Commission of Ontario to BetMGM and PointsBet for breaches of advertising laws relating to inducements. Aside from Ontario, the rest of Canada's provinces seem to be standing still when it comes to commercial sports betting, with no other substantive developments made during the quarter.

EGR UPCOMING EVENTS 2022



9 February 2022

Virtual

EGR Australia Summit

A one-day summit for Australia's leading operators



16 February 2022

Argentina, Buenos Aires

EGR Power Latam Summit

An in-person summit for South America's leading operators



24 February 2022

The Westin Dragonara Resort, St. Julian's, Malta

EGR Nordics Briefing & Awards

A one-day briefing for the Nordics region's leading operators followed by the awards ceremony and dinner



11 - 12 May 2022

Marbella, Spain

EGR Power Affiliates Summit

The leading residential in-person event for affiliates



9 - 11 May 2022

Marbella, Spain

EGR Power 50 Summit

The renowned two-day summit for the industry's biggest operators



April 2022

New York, US

EGR East Coast Briefing & North America Awards

A one-day briefing for leading operators based on the East Coast followed by the awards ceremony and dinner



June 2022

Virtual

EGR Portugal Briefing 2022

A virtual briefing for the Portuguese region's leading operators



June 2022

London, UK

EGR B2B Awards

Honouring igaming's best service providers



June 2022

London, UK

EGR Marketing & Innovation Awards

Rewarding the most innovative operators' marketing campaigns of the past year



October 2022

Virtual

EGR Central and Eastern European Briefing

A virtual briefing focused on the Central and Eastern Europe regulated markets



September 2022

California, US

EGR US Power Summit

The leading event for North America's leading operators



July 2022

Chicago, US

EGR Midwest Briefing

A one-day briefing for online gaming operators based in the Midwest states



October 2022

Rome, Italy

EGR Italy Briefing & Awards

A one-day briefing for Italy's leading operators followed by the awards ceremony and dinner



November 2022

London, UK

EGR UK Summit

A one-day summit focused on how to build a safer gambling industry



November 2022

London, UK

EGR Operator Awards

The industry's biggest awards featuring a live ceremony and dinner

Find out more at

www.EGR.Global/events

or contact us at virtualsupport@egr.global



egr.global/northamerica/