

SPORTS BETTING AND LOTTERY, ONE YEAR ON ...



THE RESEARCH INTELLIGENCE GROUP

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They say a year is a long time in politics, but in the realms of sports betting, a year has flashed by in the time it takes a Chicago Bears field goal kicker to hit an upright. However, the unwieldy beast that is state-run government has drip-fed the legality of sports betting, to the tune of only six new states in the past year (although this becomes nine in September). Among these, states such as Rhode Island have simply dipped their toe in the new revenue stream, with access to sports betting granted to just two Casinos, one Northern and one Southern based land entities. Meanwhile, there is a holding pattern that looms above at least half the remaining states in America, with a trepid combination of legislative inactivity and overall caution.

States such as New Jersey, Nevada, Pennsylvania, Indiana (Sept 1st), Iowa (Aug 31st) and West Virginia have full mobile and land sports betting, Tennessee (mobile), Arkansas (Retail), Rhode Island (Casino) and Mississippi (Retail), but other states have passed legislation that should see launches, mobile or both land and mobile, in 2019 - including Oregon, Illinois, New York and New Hampshire.

That said, according to Leger's latest U.S. Omnibus in July 2019, interest in sports betting is on the rise. Similar to the 2018 figures, 37% of the U.S. population claim to have ever bet on a sports event, with the shadow number (people who don't consider a wager on the Superbowl, NCAA March Madness bracket, or the Kentucky Derby as sports betting) as high as 43%. The market

is definitely there, the demand for sports betting poised and ready to support the offer of this new gaming category.

AWARENESS AND BASELINE FOR 'EVER PLAYED'

Awareness of the legalization of sports betting is up year-on-year, albeit just from 52% to 54%. Almost three out of five past month lottery players are aware of the change.

Sports betting 'ever played' over-indexes among males, 30-39 year-olds, higher income households and especially past month lottery players (at 51%). Among these 'past month lottery players', 28% have bet legally, 13% have bet exclusively on the illegal betting, and 10% have bet on both methods. This ultimately has two benefits for the lottery industry. One, the player base is already there, and very familiar with how to bet on sports; two, the 23% of past month lottery players who have bet on sports illegally, will possibly look to bring that gaming spend into the legal market.

YES, WE THE PEOPLE, APPROVE!

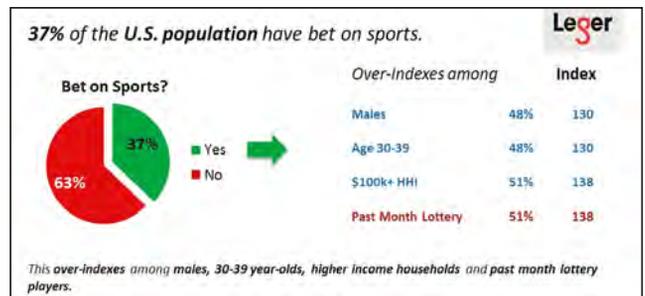
Leger's omnibus shows that 55% of the U.S. population approves of the new ruling for legalizing sports betting. However, this number is significantly higher among the combination of nine states where sports betting was legal and running in July 2019, where the approval rate has hit 64%!

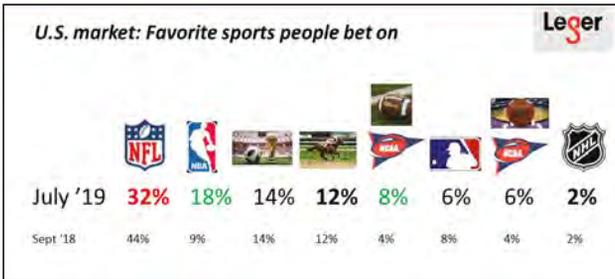
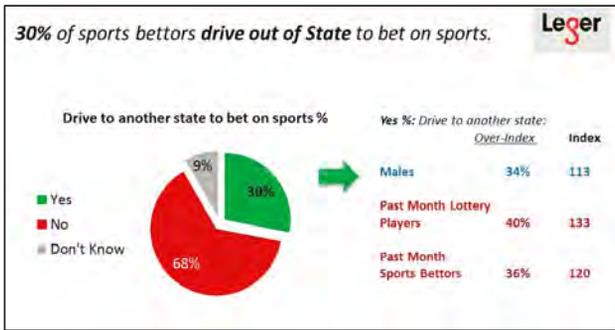
The icing on the cake, however, comes from the fact that 71% of those respondents in 'current sports betting states' would approve if their state were to allow sports betting in a Casino, significantly higher than the 57% in 'non-sports betting states'.



MOBILE IS STILL KING

At least half of the U.S. population interested in betting on sports would like to have that ability at their fingertips. This is very similar to a year ago and underlines the necessity to bring sports betting online within each individual state. However, within 'current sports betting states', there are notable tendencies towards being able to bet at a local race track (13%, significantly higher than non-sports betting states) and at a local casino (17%).





...while frequency of betting is also on the rise.

Driven by a significant increase among non-white players (48%), significantly more sports bettors are betting on a daily or weekly basis in mid-2019 (32%) compared to the previous year (27%). There are some other key groups who are betting on a frequent basis including the Gen X/Younger Millennials at 48% and past month Lotto players at 62%, the highest index of any sub-group.

SEASONALITY DRIVES SPORTS BETTING PREFERENCES, BUT THE NFL IS STILL THE KING!

For those betting on sports in the past year, the NFL peaks in early Fall with approximately two-thirds of all bettors wagering on the NFL at some point in the calendar year. The NBA is a distant second place at almost half of all bettors. Iowa, Indiana and Oregon have all very smartly launched their sports books in late August/early September to attempt to capture the primary sports betting market through the lead product, and who can blame them. The NFL is currently the favorite sport to bet on for almost one third of all sports bettors in July 2019 at 32% (although this number was even higher during the season

last year, at 44%, and Leger would expect a similar increase and pattern will follow as the NFL season kick-offs).

THE 'BEAUTIFUL BETTING GAME'

Perhaps most surprising in Leger's results is the fact that the largest growth in betting from 2018 to 2019 has been on Soccer. In June 2018, only 15% of sports bettors had bet on 'the beautiful game', but by July 2019 this number had more than doubled to 31%, driven primarily by strength in betting in the 'West'

region of the USA. There are probably a number of key factors driving this sizeable and significant increase. The success of the United States Women's National Team (USWNT) at the World Cup in France this summer is a driving factor, but also the growth in support for the English Premier League, La Liga (Spain) and the MLS in our home nation have contributed heavily to the prominence of the sport in general, and the knock on effect of the growth in gambling. Soccer is the third highest 'favorite' game to gamble on at 14% nationally, and skews significantly higher as a 'fave' among 18-29 year olds.

The two most popular College sports (NCAA Football and Basketball) have also both seen increases from 2018 to 2019, and have now been bet on by more than a quarter of the wagering population. Even Ice Hockey, not normally a priority for the sports betting public, has seen a sharp

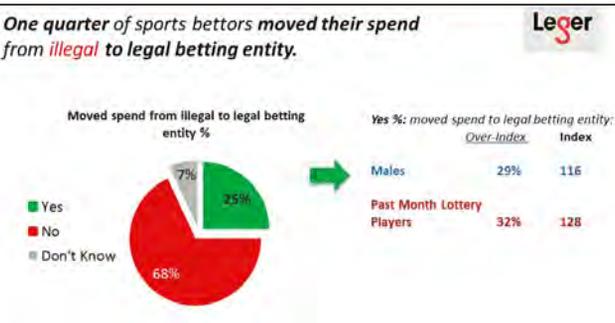
increase in bets among states that have legalized betting, probably due to quite a number of these states being NHL hotbeds, including New Jersey (Devils), Pennsylvania (Flyers, Penguins) and Nevada (with the newest NHL franchise, the Las Vegas Knights).

THE 'ILLEGAL' TO LEGAL BETTING SHIFT IS PICKING UP

At the time of Leger's research, with fewer than 20% of states making the legal leap for sports betting, the trends are showing a shift towards legality, although perhaps at slower rates than first thought. Within the betting states, 3 out of 10 bettors have moved their illegal/offshore betting to a legal entity, while less than a quarter have shifted their illegal spend within other 'non-betting' states. This fact alone is paramount in the case for the legalization of sports betting nationally.

THE THREAT TO LOTTERY SPEND IS STILL MINIMAL

Only 6% of sports bettors plan to take spend away from their regular lottery purchases to use for sports betting. And of those 6% that plan on shifting some of their discretionary income, almost two-thirds will spend 25% or less of their lottery funds on sports betting. Leger estimates that this could possibly mean significantly less than 1% of lottery spend moving to sports betting in the short term.



THE FUTURE

Leger's next U.S. Omnibus later this month will see if the needle has moved on sports betting play, and if the interest in sports betting from a wider U.S. audience has increased. In the interim, all companies associated with sports betting, and state lotteries that are considering taking it on board, should embrace any research associated with sports betting. With a 50% preference for mobile betting, ensuring your mobile website is excellent from the first day of launch should still be the primary goal. Sports gamblers want to use a site that is user friendly and secure, with odds of winning similar to those they could see elsewhere, especially if they are currently betting through an 'illegal' channel. Trust me, I'm a researcher.