



U.S. Online Gaming Report

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Following October's Global Gaming Expo (G2E) 2022 in Las Vegas where attendees returned in full force, sentiment shows that the future of the industry lies with online sports betting and online casino markets as well as digital payments and digital wallets.

If you are reading this report, you probably are not surprised. The U.S. sports betting market finished 2021 with a total handle of \$57.7B and total GGR of \$4.3B. The online channel led the way, posting handle of \$50.2B and GGR of \$3.6B. That was 87% of the total handle and 83% of GGR in 2021. The launch of new, large markets drove growth along with some expansion in existing states. Although some see the U.S. sports betting outlook less rosy due to economic conditions, others indicate a brighter view.

Did someone say football? The NFL and NCAA football seasons are in full swing again, ushering in the busiest quarter of the sports betting calendar each year. According to GeoComply data, there was 71.5% year-over-year growth in online sports betting activity for NFL opening weekend as fans welcomed the new season in both new and existing markets. That data matches up well with EKG's GGR forecast, which projects 81% year-over-year growth for 2022.

MVB and Eilers & Krejcik Gaming are pleased to partner on this new edition of the U.S. Online Gaming Report covering the online sports betting and online casino markets. Our intent is to provide current, concise and relevant information to operators, potential investors and decision-makers in the online gaming industry.

Please let us know what you think of this edition and what you would most like to see us cover in the future.



Larry F. Mazza
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Contact dleary@ekgamingllc.com to learn more about EKG's sector-leading syndicated research offering, in which we highlight and break down the latest industry rumors, as well as comprehensively cover all aspects—policy, market, forecasts, product performance—of the emerging U.S. sports betting and online casino verticals.

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Eilers & Krejcik (EKG) is a research and consulting firm focused on servicing the gaming equipment, interactive gaming, and sports betting sectors within the global gaming industry. They serve over 200 companies worldwide across several different industries including casino operators, gaming equipment suppliers, online gaming companies, financial institutions, professional sports leagues, legislators and regulators.

QUICK TAKES

FanDuel Dabbling In Micro?

We understand FanDuel has been trialing some in-house micro-betting markets on select NFL games, as it looks into the feasibility of building out its own suite of micro-betting products rather than integrating a third-party (e.g., SimpleBet).

We would not underestimate the pricing and engineering power of FanDuel and the global Futter business, especially in light of their clear leadership in same game parlay. That said, we also note that another sports betting technical powerhouse—bet365—recently integrated SimpleBet markets after some micro-betting experimentation of their own, suggesting it is no small lift to execute on that product.

G2E Corroborates U.S. Sentiment Slump

If one thing was clear at G2E this year, it was this: the U.S. is no longer seen as the land of sports betting milk and honey. Though international betting companies and execs returned to G2E en masse this year, the general sentiment was a lot less bullish than recent editions.

Attendees were cognizant of just how hard it was to make money in the U.S. against the four leading OSB operators, who hold 87% GGR share, per our tracking, up from 80% last year. As such, the flow of new B2C entrants is diminishing somewhat, with chatter suggesting land-based casinos “couldn’t give market access away” in some states.

Stack Switch Time For WynnBET?

WynnBET has been clear that Massachusetts is a core pillar of its pared back OSB strategy due to the presence of the Encore Boston Harbor property in the state. And with retail sports betting set to go live in Massachusetts in early 2023, we understand WynnBET has been in the market for a new sportsbook platform to replace its current OpenBet technology.

Chatter suggested it was between GAN/Coolbet and Kambi for the new solution, with GAN the more likely option. Recall, WynnBET already uses the GAN player account management platform (PAM) in Michigan, though this would be the first online B2B deployment of GAN’s Coolbet sportsbook. That potentially makes it the riskier option, in our view. A hybrid approach with a Kambi sportsbook and GAN PAM could also make sense. After Massachusetts, WynnBET will switch over its other live states to the new tech, we hear.

A Potential Flock To Tik Tok

Social media is a powerful acquisition channel for U.S. operators, with the likes of FanDuel directing a good chunk of their budget toward platforms like Instagram and Twitter. To date, TikTok has been more careful about entering the space, largely because such a large portion of its users are under the age of 21.

However, we heard Tik Tok had representatives at G2E and is looking to expand its betting ads business, albeit very cautiously. TikTok has an estimated 80 million monthly active users in the U.S., though 60% are between the ages of 16-24. And even users of legal betting age are likely to have lower disposable income.



Depth Of DraftKings Online Casino Moat To Be Put To The Test

DraftKings gaining GGR share in U.S. online casino while losing it in online sports betting suggests four important directional trends, in our view: (1) the importance of streamlined cross-sell; (2) the rapidly rising importance of product; (3) the value of in-house and exclusive content; and (4) the lack of online casino expertise in the U.S. market at the present time.

DraftKings, following its acquisition of Golden Nugget Online Gaming, boasts strong positioning in all four areas—notably outperforming rival FanDuel, which has been playing catch-up in GGR share and product performance terms, per our estimates and testing. DraftKings, though, will be coming under increasing pressure as more hitherto OSB-focused online brands (e.g., Barstool, Caesars) lean into online casino. In light of that, we'd expect to see some of those brands make significant investments in both personnel—quite possibly from Europe—as well as new features and integrations to beef up significantly their positioning in a U.S. online casino sector that hasn't yet reached its competitive zenith. So, while DraftKings is currently one of few U.S. online casino operators doing all of the right things, its moat does not look particularly deep to us.

Fanatics / Amelco Talk Resurfaces

We continue to hear chatter regarding a Fanatics-Amelco deal for an OSB tech stack, with a potential Fanatics-Tipico combination understood to be off the table. What exactly Amelco would provide—source code on top of which to iterate, PAM, and so on—remains unclear, though previous rumors suggested Fanatics was looking for a more robust PAM than Amelco's off-the-shelf solution. With Fanatics recently announcing its 2023 U.S. OSB launch plans, the clock is ticking.

Local Heroism: A Logical Next Stop In U.S. OSB Differentiation

The first wave of U.S. OSB saw mid- and top-tier operators playing at a sprawling game of land grab. With three brands—FanDuel, DraftKings, and BetMGM—pretty firmly in control of that game, at least for now, we think some mid- and lower-tier operators are likely to begin scaling back their national ambitions and playing at a new, potentially more sustainable game: local heroism.

From a product-specific perspective, we're only just beginning to see localization manifest. PlayMaverick is a good example: its Colorado-only app has a tab on its home screen featuring dedicated odds for Colorado-centric teams. Meanwhile, localized marketing—a key component of local heroism—also remains in its infancy, judging by thousands of creatives we've examined on Pathmatics, which tracks digital adverts by U.S. OSB brands. Brands we think have viable local hero prospects in OSB include BetRivers (strong in the key markets of Illinois and Pennsylvania) and Circa (strong in Nevada with potential to leverage the destination appeal of Circa Resort Las Vegas in non-Nevada markets).

NYC Budget Troubles Set To Boost NY's Online Casino Prospects?

NYC's potential \$10bn budget deficit could serve as a catalyst for online casino legislation in the populous Empire State, per channel checks. Online casino's lead backer in NY, Sen. Joe Addabbo, has mentioned the NYC shortfall as a possible booster for online casino in recent conference appearances and in Albany meetings, checks said. While we're hearing Addabbo will attempt to include online casino in next year's budget, whether legislative leadership will back that move remains an open question.

NUMBERS TO NOTICE



U.S. Online Sports Betting

2024

The new target for legalizing sports betting in California, after leading sportsbook execs all but resigned themselves to defeat at the 2022 ballot. At a G2E fireside chat, both FanDuel's Amy Howe and DraftKings' Jason Robins said that 2024 was the new "more likely" target for legalization. However, even that forecast looks optimistic in our view, with tribal representatives at the same conference indicating they remained stridently opposed to online sport betting and ready for round two.

Source: [Bloomberg](#)

\$ 35MM

The amount Penn Entertainment will pay to Kambi as it migrates from the platform to its own technology, starting in 3Q23. That payment includes a one-time early termination fee of \$12.5mm and \$15mm for transition services. We note the retail migration will not occur until 2024, which is a bigger deal for Penn than most OSB operators. Penn says it has a 19% share of national retail handle (excluding NV). Meanwhile, we estimate it has just a 3% share of the national online market in GGR terms.

Source: [Kambi IR](#)

\$ 1.29MM

The net revenue from the first month of Kansas sports betting in September on \$161mm in handle. The low reported return reflects the fact that Kansas operators can deduct promotional credits as revenue for tax purposes. Four casinos are currently licensed in the state with six online skins, including FanDuel, DraftKings, BetMGM, PointsBet, Barstool, and Caesars. There are more brands on the way once KS tribes get licensed, but confusion remains over how many skins each tribe can actually offer.

Source: [Sports Handle](#)

\$ 21MM

The investment made by Australian wagering giant Tabcorp for a 20% stake in social betting platform Dabble. Dabble allows users to share, copy, and follow bets with friends. Social betting products have historically over-promised and under-delivered but Dabble boasts some strong numbers with over 150k customers and around \$30mm in annualized revenue (suggesting a recreational base). That has some positive readthrough for U.S.-facing companies trying to integrate similar concepts, not least DraftKings.

Source: [Sydney Morning Herald](#)



U.S. Online Casino

\$17.26

Online casino GGR per adult in MI in August. That's the third highest we've tracked from the state but crucially, it was just 12% behind the \$19.57 figure from NJ in August. It's somewhat surprising to see that delta narrow, given NJ's disposable income per adult is 25% higher than MI. Some of it may be the seasonal decline as Atlantic City winds down for the summer but it may also be a function of heavier promotional spending in the newer MI market. PA, for its part, came in third in August, with GGR per adult of \$14.32—a result which was in line with long-running GGR per adult trends.

Source: EKG Research / U.S. Census Bureau

20%

The m/m rise in online table game NGR in PA in August. Meanwhile, online slots NGR was up just 5% m/m. That's in line with expectations given table games are generally the favored cross-sell option for sports bettors. We expect table games NGR to continue outperforming in September with the return of the NFL (for context, tables NGR was up 37% m/m vs. slots NGR at just 3%). Another way to understand the sorts/table games dynamic is by looking at the brands themselves. Table games made up 40% of casino NGR at FanDuel in August, while making up just 17% of NGR at casino-first brand Parx.

Source: EKG Estimates

30%

NJ's share of nationwide online casino GGR in August—an all-time low. August was marked by appreciably lower y/y growth in statewide casino and poker GGR. On the casino side in particular, statewide GGR performance was impacted by two of NJ's leading brands—Golden Nugget and FanDuel—which each, according to our estimates, had their worst months of GGR production so far this year. On the other hand, Michigan's newer and faster-growing MI online casino market in August reached the 30% threshold of nationwide GGR share for just the second time.

Source: EKG Research and Estimates / State Regulators

23%

DraftKings / Golden Nugget's combined GGR share of the U.S. online casino market in the three months through August, per our proprietary tracking. That makes the newly combined DraftKings-Golden Nugget Online Gaming entity the country's second-largest online casino operator in GGR share terms, behind only BetMGM, which has roughly 30% share. FanDuel, with about 16% share in the three months to August, is now in catch-up mode. We expect to see evidence of that catching-up emerge in the near term, with FanDuel having put online casino share growth on the front burner, strategically

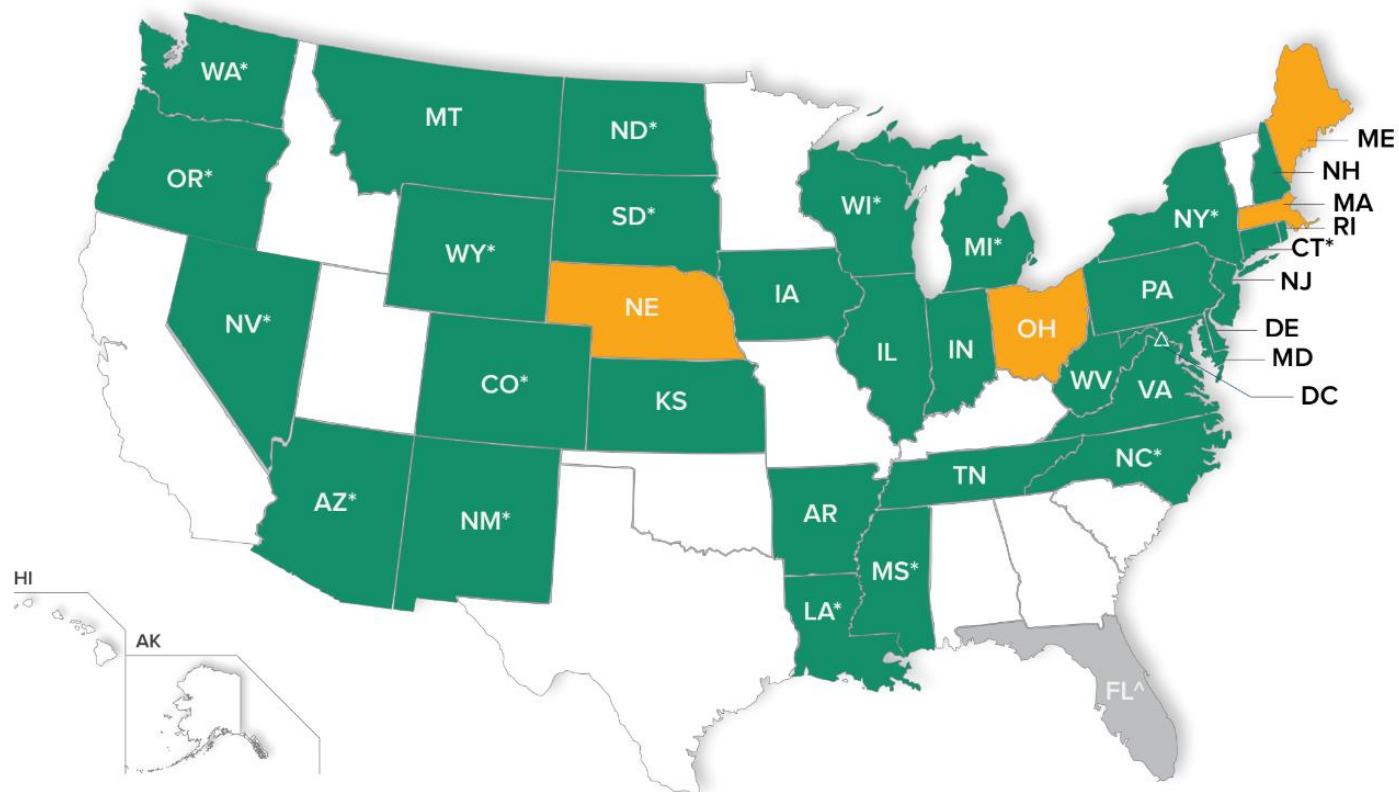
Source: EKG Estimates

U.S. Sports Betting

Summary	Core Theme	Link
Maryland online betting on track to launch by end of calendar year 2022	Expansion	Here
FanDuel named non-exclusive sports betting partner of the Kentucky Derby	Sports-Racing Partnerships	Here
ESPN nears sports betting partnership deal with DraftKings	Operator-Media Partnerships	Here
Mojo, the “sports betting stock market”, launches in New Jersey in partnership with Caesars	New Sportsbook Brands	Here
GeoComply sues geolocation competitor Xpoint for patent infringement	Supplier Landscape	Here
Hard Rock applies for Illinois retail and online sports betting licenses via its forthcoming casino	Market Access Landscape	Here
PointsBet launches online sports betting in Louisiana, the brand’s 12th state	Sportsbook Launches	Here
Arkansas’ Oaklawn Casino launches house brand online sportsbook Oaklawn Sports	Sportsbook Launches	Here

U.S. Online Sports Betting: Market Landscape

● Single-Game Sports Betting Operational ● Single-Game Sports Betting Authorized But Not Yet Operational ● Other



*State in which tribal sports betting is operational.

^A federal court has deemed the state's tribal compacts in violation of federal Indian gaming law.

Pending the outcome of an appeal of this decision, sports betting is neither legal or operational in Florida.

State	AZ	AR	CO	CT	DC	DE	FL	IL	IN	IA	KS	LA	ME	MD	MA	MI	MS	MT	NE	NV	NH	NM	NJ	NY	NC	ND	OH	OR	PA	RI	SD	TN	VA	WA	WV	WI	WY
Retail	●	●	●	●	●	●		●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●			
Online	●	●	●	●	●	●		●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●			

15

The minimum number of states BetFanatics, a forthcoming online sportsbook, plans to be operational in by the fall of 2023, per CEO Michael Rubin. Ohio and Maryland, which both plan to launch online betting in the next few months, are among the brand's first planned states.

4

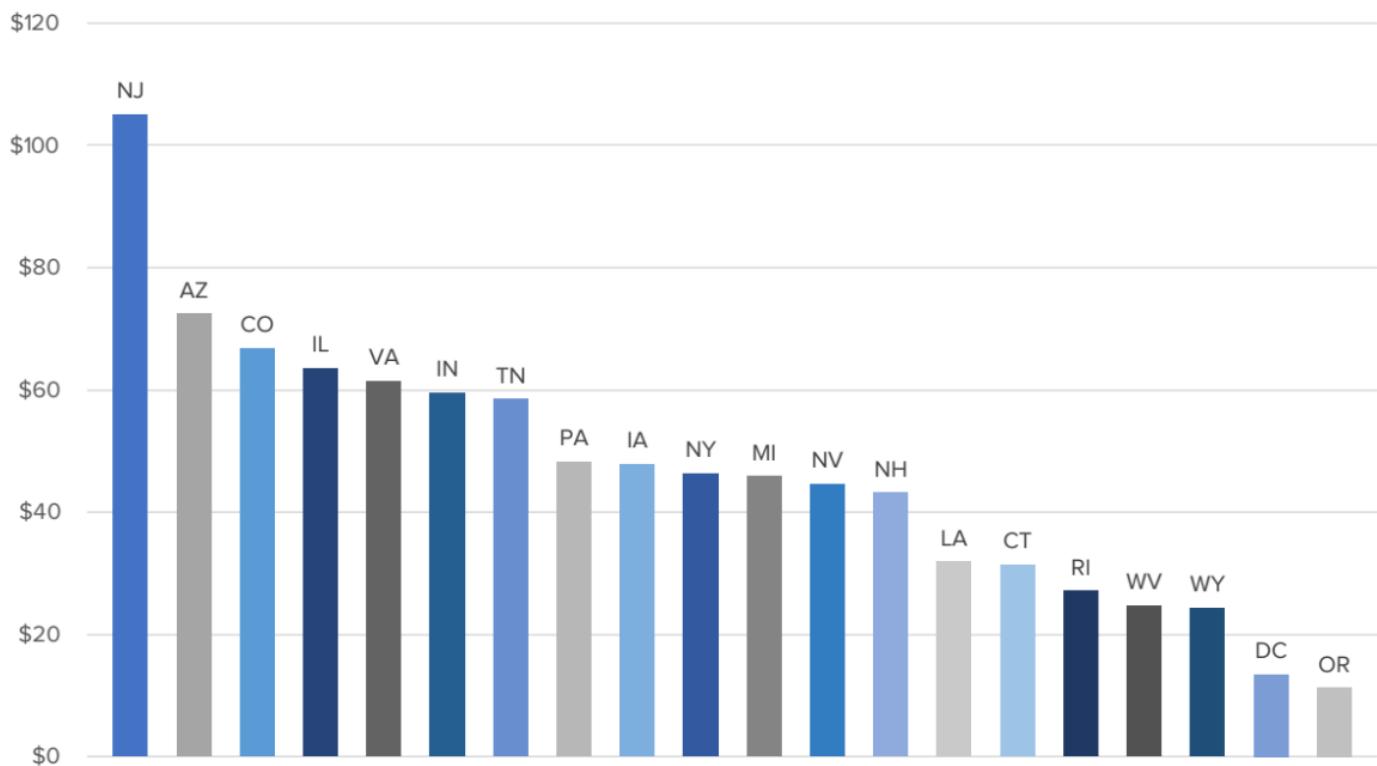
The number of non-traditional online sports betting platforms in New Jersey. The state is currently home betting exchanges Prophet and Sporttrade; Mojo, the self-proclaimed "sports betting stock market;" and VIE, an esports sportsbook.

U.S. Online Sports Betting:

State By State Online GGR-Per-Adult Comparison

The New Jersey market, buoyed by its uber competitive online sports betting vertical and play from border-crossing New Yorkers, is dramatically outperforming other newly regulated markets on both a handle-per-adult and revenue-per-adult basis.

Online GGR Per Adult By State: Trailing 12 Months



Note: T12M totals for states where online sports betting has been operational fewer than 12 months—Wyoming, Arizona, Connecticut, New York, Louisiana, and Arkansas—don't correspond congruously to T12M totals from other states.

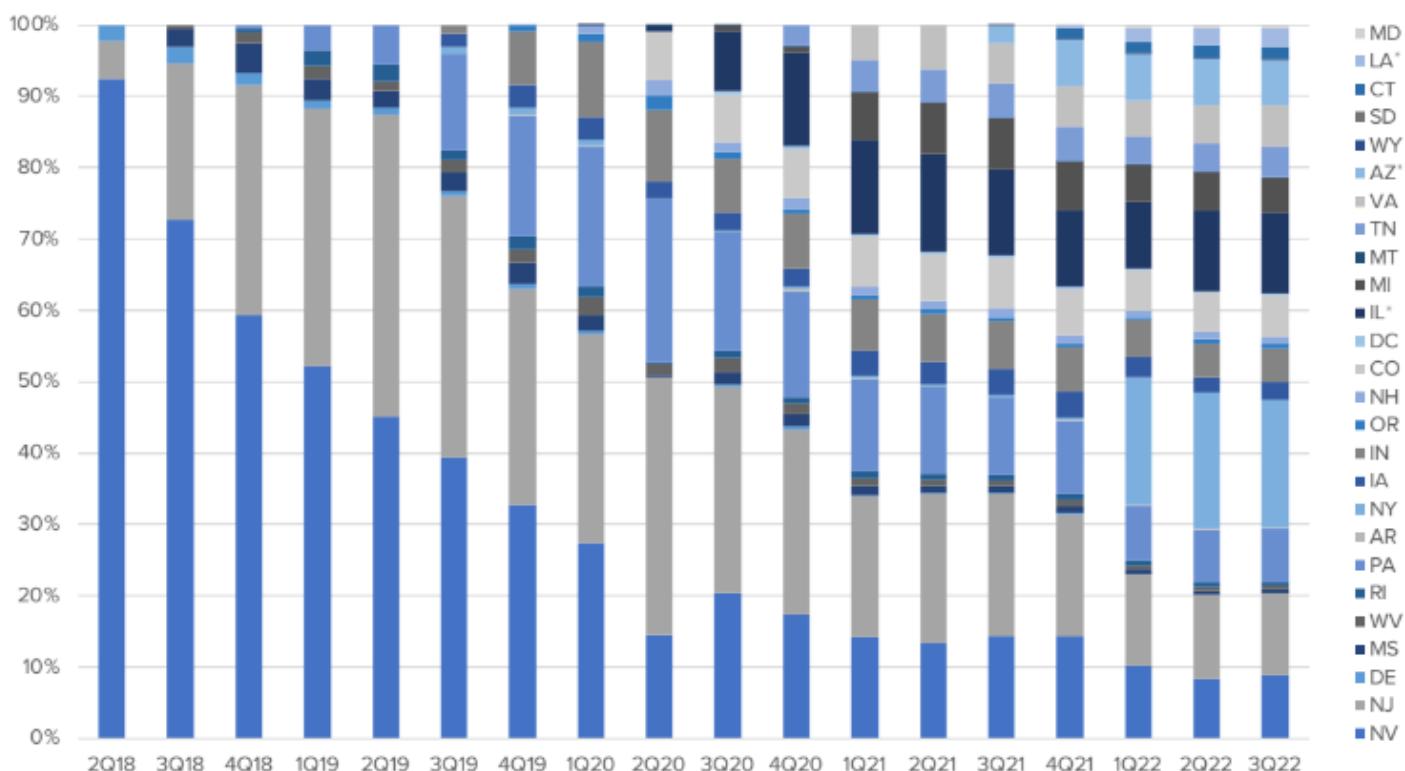
Online Launch Date By State

NV	NJ	WV	PA	IA	RI	IN	OR	NH	CO	DC
2010	Aug.'18	Dec.'18	May'19	Aug.'19	Sep.'19	Oct.'19	Oct.'19	Dec.'19	May'20	May'20
IL	TN	VA	MI	WY	AZ	CT	NY	LA	AR	KS
Jun.'20	Nov.'20	Jan.'21	Jan.'21	Sep.'21	Sep.'21	Oct.'21	Jan.'22	Jan.'22	Mar.'22	Sep.'22

U.S. Online Sports Betting: Distribution of Quarterly Handle by State

The ongoing introduction of new markets to the U.S. sports betting landscape has left Nevada with a smaller overall share of total nationwide handle; in 3Q22, non-Nevada markets accounted for ~91% of such handle. And among the newer markets, New York has been the most productive, accounting for ~18% of the nation's total handle in the quarter, reflecting the market's sizable adult population and very aggressive initial marketing spend in the state's recently opened online sports betting channel.

Share of Total Quarterly Sports Betting Handle by State



* 3Q22 figures for AZ and IL are estimated

3Q22 Share by State

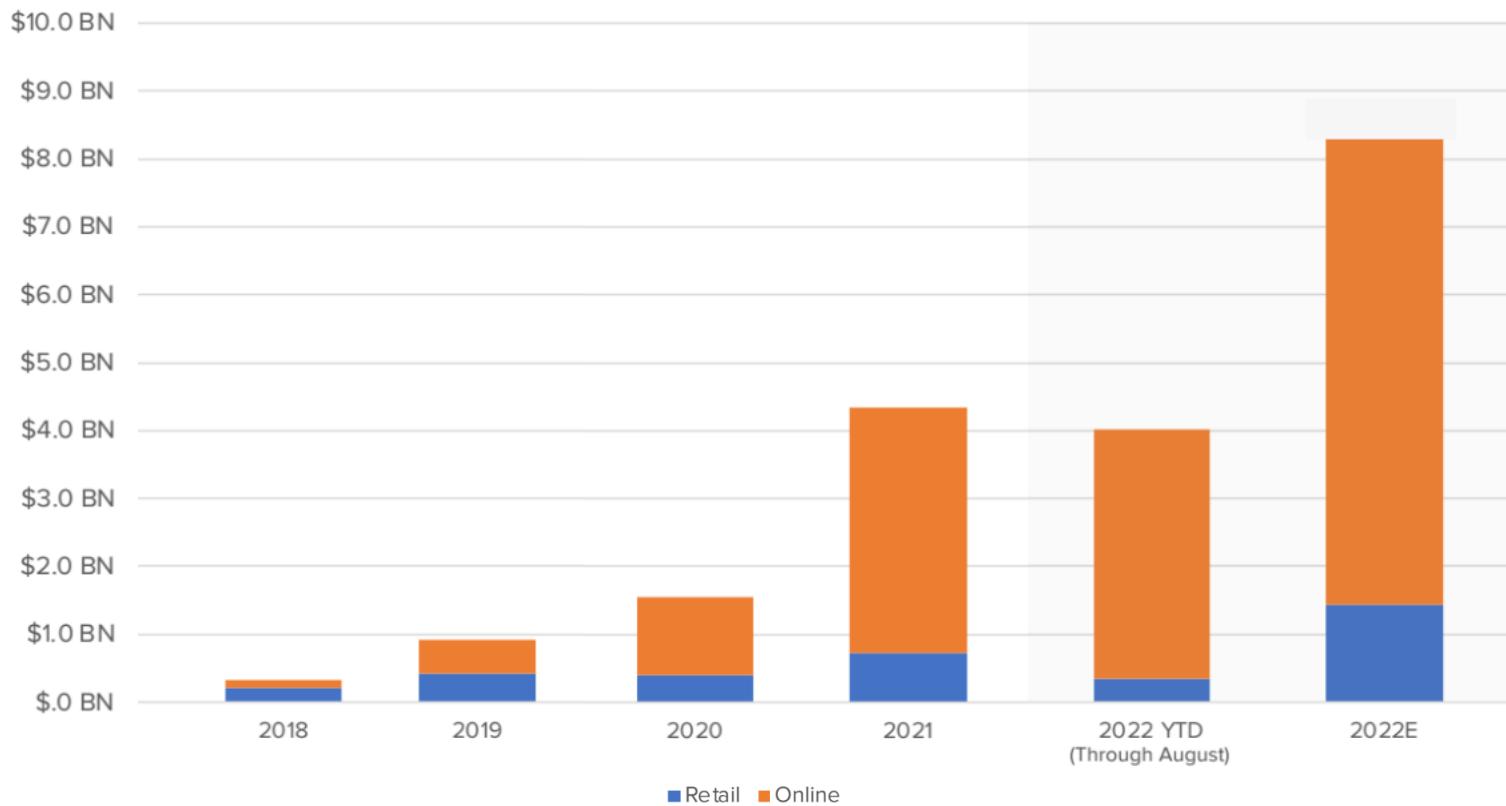
NV	NJ	DE	MS	WV	RI	PA	AR	NY	IA	IN	OR
8.8%	11.5%	0.1%	0.4%	0.5%	0.6%	7.5%	0.2%	17.9%	2.5%	4.7%	0.6%
NH	CO	DC	IL	MI	TN	VA	AZ	WY	SD	CT	LA
0.9%	5.8%	0.3%	11.4%	4.8%	4.1%	5.9%	6.4%	0.2%	0.0%	1.7%	2.6%
MD											

U.S. Online Sports Betting:

Total U.S. Sports Betting GGR By Year

In the chart below, we show total U.S. sports betting GGR between 2018 and 2022E on an annual basis. The market's recent, exponential growth has been driven by a few factors—namely, the rapid legalization and launch of online sports betting in populous states. So far in 2022, the U.S. market as a whole has generated total GGR of \$4.0bn. By year end, we expect that total to rise to \$8.2bn.

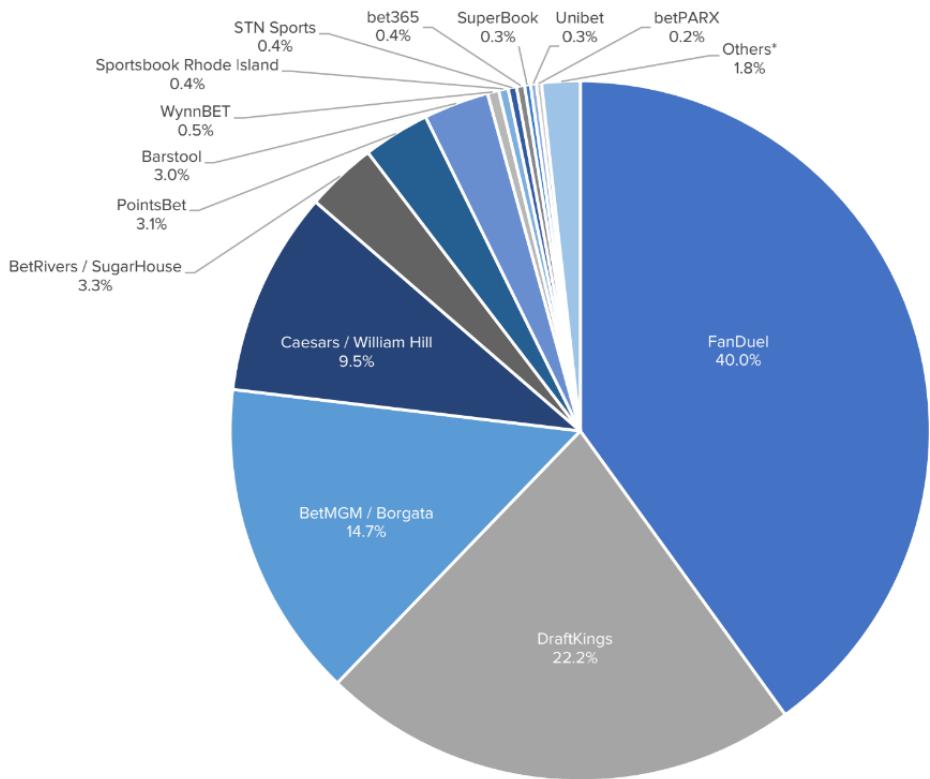
U.S. Sports Betting Gross Gaming Revenue By Distribution Channel: 2018 to 2022E



U.S. Online Sports Betting: All States Estimated GGR by Brand

Notes

In the chart to the right, we show trailing three-month gross revenue by brand across all states where online sports betting is operational, including Nevada (June–August). Given the lack of direct visibility into gross revenue by brand in Arizona, Colorado, Louisiana, Nevada, New Jersey, Tennessee, Virginia, West Virginia, and Wyoming, the chart below should be treated as a medium-confidence estimate.



*The “Other” slice is composed of 41 additional brands—Golden Nugget, Betway, Bally Bet, and Hard Rock—each of which had ≤0.18% GGR share.

U.S. Online Sports Betting: GGR Leaderboard

In the table below, we show the leading brand in each U.S. online sports betting market on a gross revenue basis for the trailing 3-month period to August 2022; totals for markets operational fewer than 3 months are shown on a since-launch basis.

Note: GGR by brand values for Arizona, Colorado, Illinois, Louisiana, Nevada, New Jersey, Tennessee, Virginia, West Virginia, and Wyoming are estimated

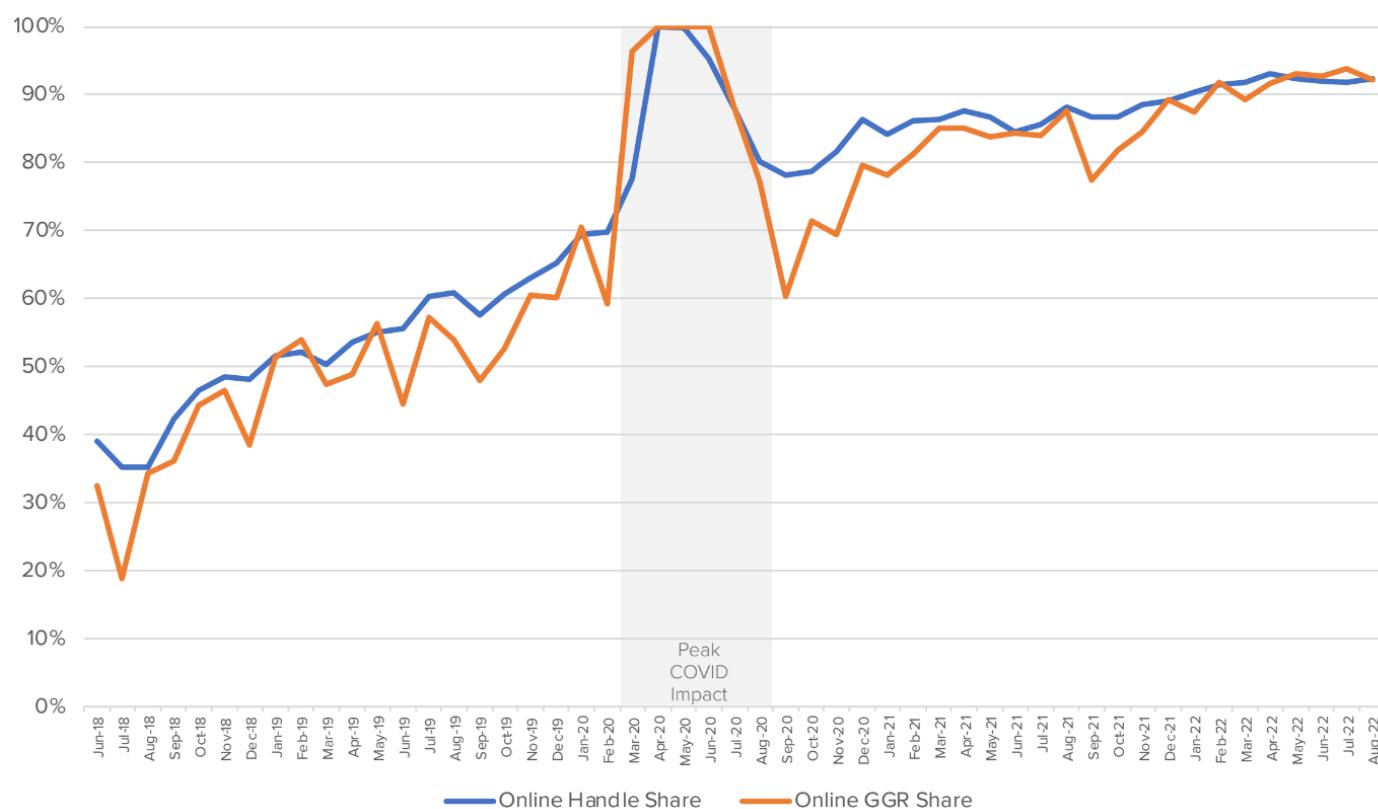
Market	Top Brand	Est. Trailing 3 Month Online GGR	GGR Share
Arizona	FanDuel	\$27.1mm	42%
Arkansas	Betly	\$0.7mm	80%
Colorado	BetMGM	\$16.3mm	31%
Connecticut	FanDuel	\$10.5 mm	47%
District of Columbia	GambetDC*	\$1.5 mm	100%
Illinois	FanDuel	\$58.8mm	45%
Indiana	FanDuel	\$21.0mm	38%
Iowa	FanDuel	\$7.6mm	27%
Louisiana	FanDuel	\$14.2mm	38%
Michigan	FanDuel	\$21.5mm	35%
Nevada	Caesars / William Hill	\$22.5mm	57%
New Hampshire	DraftKings*	\$11.4 mm	100%
New Jersey	FanDuel	\$63.7mm	46%
New York	FanDuel	\$125.1mm	51%
Oregon	DraftKings*	\$8.1mm	100%
Pennsylvania	FanDuel	\$41.8mm	46%
Rhode Island	Sportsbook Rhode Island*	\$5.1mm	100%
Tennessee	BetMGM	\$19.2mm	31%
Virginia	FanDuel	\$37.9mm	43%
West Virginia	FanDuel	\$2.7mm	43%
Wyoming	BetMGM	\$1.1mm	43%
Total U.S.	FanDuel	\$462.7mm	40%

* Only available online sports betting brand in the state

U.S. Online Sports Betting: Distribution Channel Trends

The chart below highlights the outsized role that the online distribution channel is playing in the U.S. sports betting market. Since the post-PASPA era began in June 2018, the online channel, driven by growth in existing online markets and the steady introduction of new online markets, has grown to account for over 90% of handle and GGR on a nationwide basis.

U.S. Online Sports Betting Handle And GGR As A Percentage Of Total U.S. Handle and GGR



90.5%

Percentage of U.S. sports betting handle generated by the online channel in TTM

88.8%

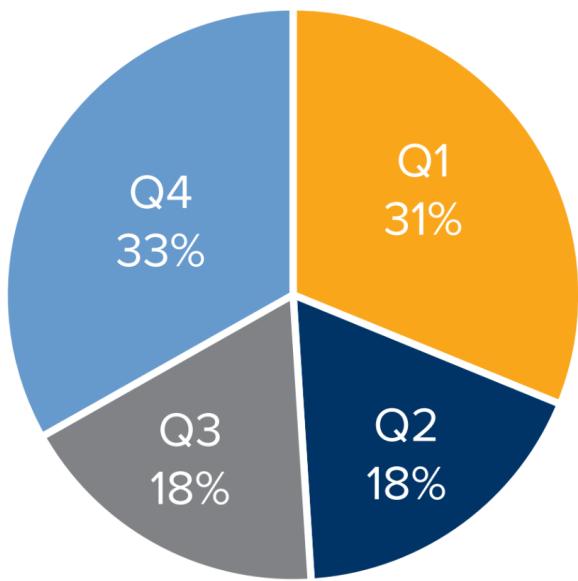
Percentage of U.S. sports betting GGR generated by the online channel in TTM

U.S. Online Sports Betting:

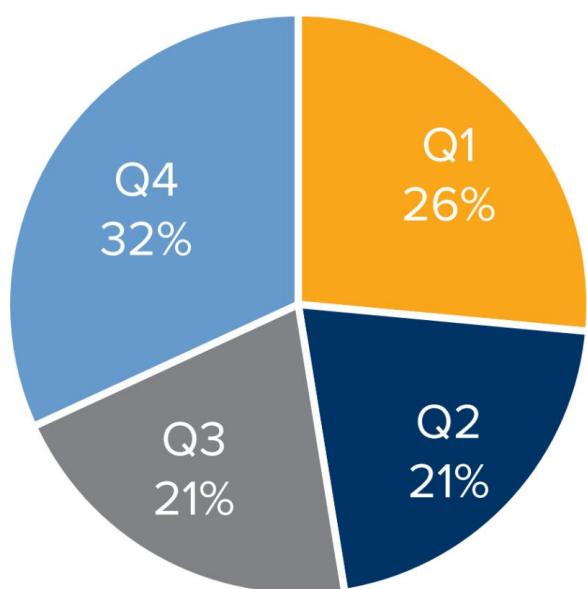
Sports Betting Seasonality

In the charts below, we show our seasonal breakdown estimates for sports betting handle and GGR share. Our estimates take into account the country's unique sporting calendar, as well as trends—including hold percentage trends—we've observed across state markets.

Nationwide Handle: Quarterly Share



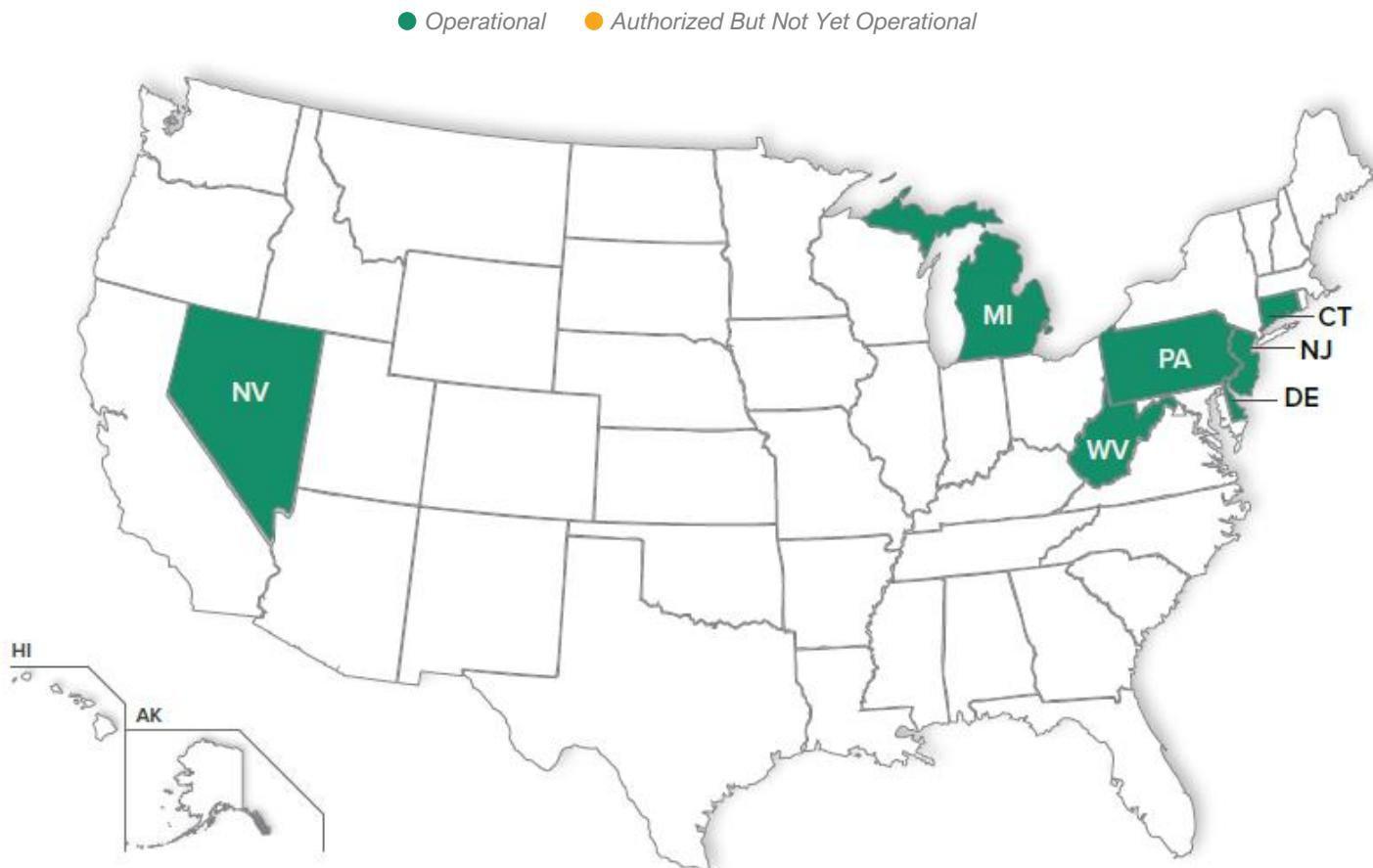
Nationwide GGR: Quarterly Share



- Nearly two-thirds of nationwide handle is generated during Q4 and Q1, when most major U.S. sports leagues are active.
- Q4 encompasses the bulk of the NFL season, a major driver of sports betting handle.
- Handle skews more heavily toward the most promotionally active sporting events: The Super Bowl (Q1), March Madness (Q1), the NFL season (Q4, Q1).

- Like with handle, Q4 leads the way in terms of GGR production, accounting for ~one-third the U.S. total.
- Q2 and Q3 betting consists mostly of Baseball and lower tier “Other” sports. The Other sports (eg. Soccer, Tennis) more typically produce higher hold than the tier 1 sports.
- The promotionally driven Q1 trends toward lower hold, explaining the discrepancy between handle and GGR share.

U.S. Online Casino: Market Landscape



State	CT	DE	MI	NV	NJ	PA	WV
Casino	●	●	●		●	●	●
Poker	●	●	●	●	●	●	●

13%

The percentage of the U.S. adult population with access to legal online casino and/or poker products.

32%

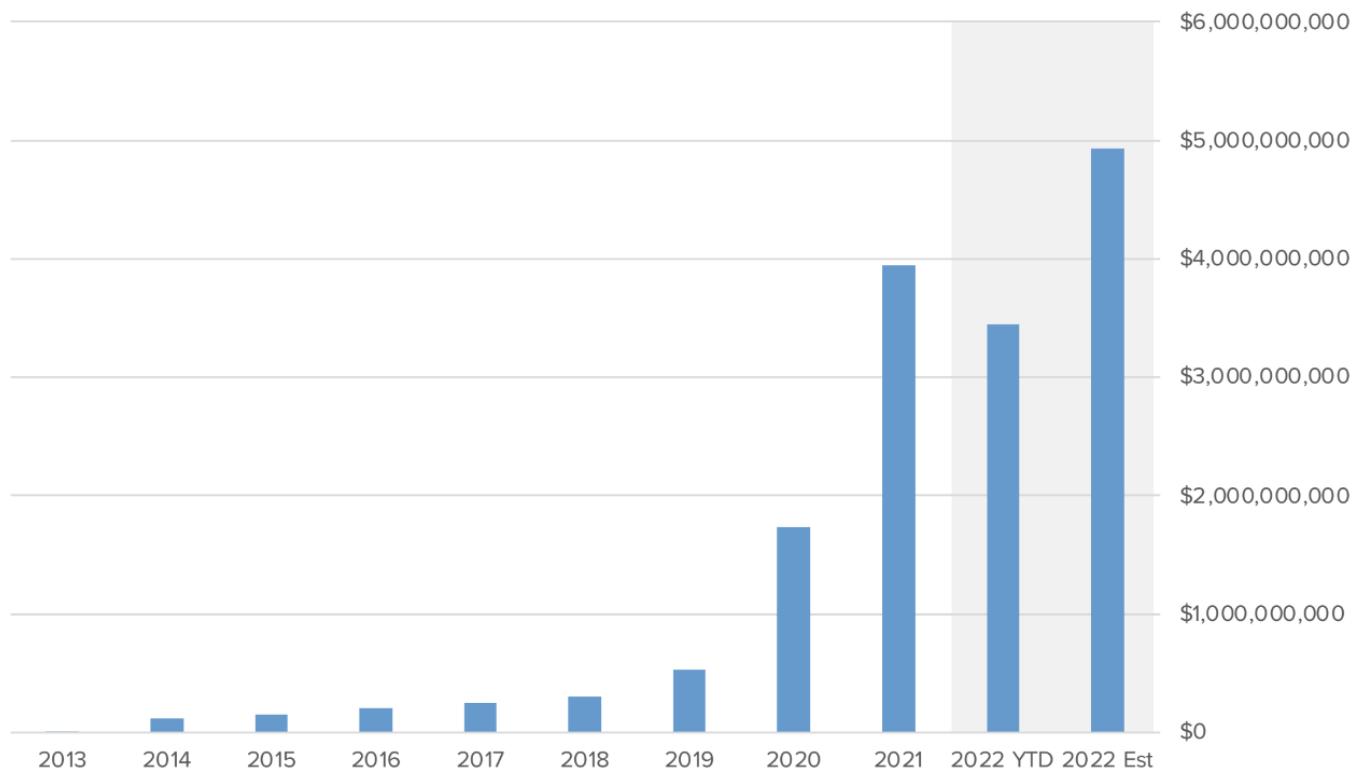
The percentage of August 2022 U.S. online casino GGR (excluding poker) that was attributable to PA, making it the largest state

U.S. Online Casino:

Total U.S. Online Casino And Poker GGR By Year

In the chart below, we show total U.S. online casino and poker GGR between 2013 and 2022E. The market's recent, exponential growth has been driven by a few factors—namely, the launch of populous Pennsylvania in mid 2019, COVID's stay-at-home impact (which began to manifest in March 2020), and the launch and ultra-rapid maturation of the Michigan market in early 2021. In 2022, we estimate U.S. online casino and poker GGR will reach \$4.9bn, up 25% vs. 2021.

U.S. Online Casino And Poker GGR: 2013 To 2022 YTD



Note: Online poker totals from the Nevada market, which are not reported by the Nevada Gaming Control Board, are not included in this chart.

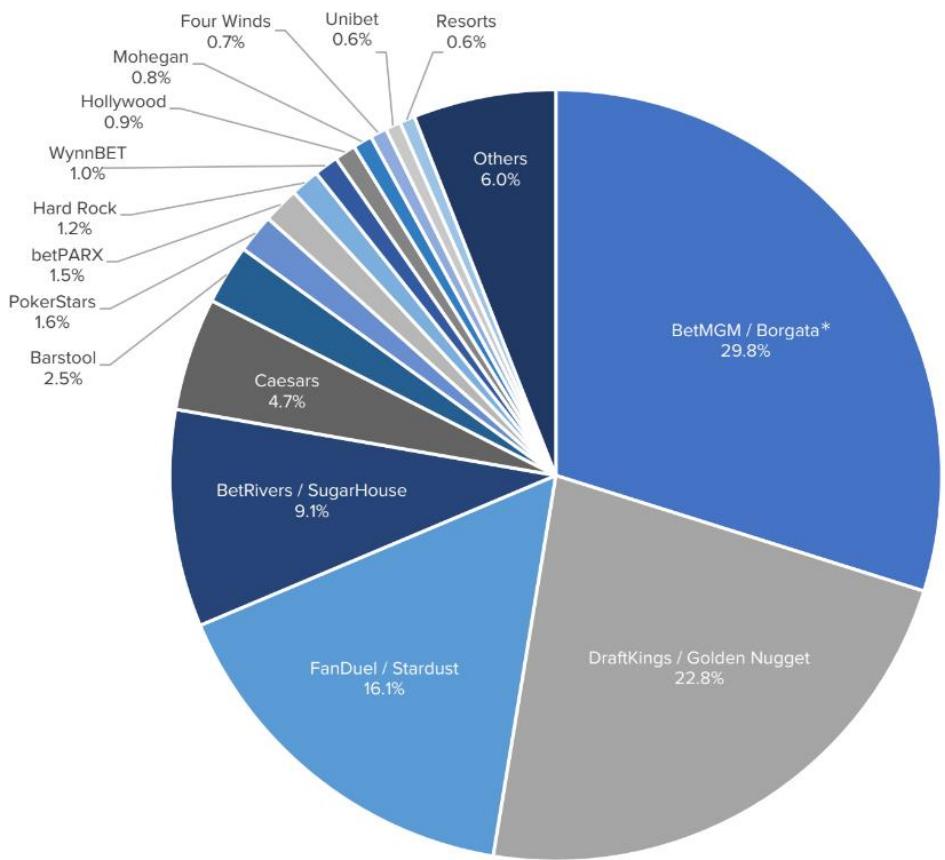
State	DE	NJ	PA	WV	MI	CT
Launch Year	2013	2013	2019	2020	2021	2021
CY 22 YTD Share of Total GGR	0.3%	31.4%	31.8%	2.0%	29.5%	5.0%

U.S. Online Casino:

Market Revenue by Brand

Notes

In the chart to the right, we show trailing three-month gross revenue by brand in the Connecticut, Delaware, Michigan, New Jersey, Pennsylvania, and West Virginia online casino markets (June–August). The chart reflects casino revenue only; poker revenue is not included. Given the lack of direct visibility into gross revenue by brand in Connecticut, New Jersey, Pennsylvania, and West Virginia, the chart below should be treated as a medium-confidence estimate.



"Others" is composed of additional brands with 0.8% or less of GGR.

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