

Research Bulletin

## Gaming Sector, Australia - Sports Betting Illinois Pointsbet receives operating permit in Illinois

Pointsbet announced that it received a temporary operating permit from the Illinois Gaming Board.

In order to launch, Pointsbet's partner Hawthorn Racecourse needs to also receive a Master Sports wagering licence, it is currently pending.

We continue to monitor developments in the US wagering market as we feel Tabcorp may strategise to enter this market by partnership or acquisition. Pointsbet's announcement that it received a temporary operating permit from the Illinois Gaming Board is a key development in this arena.

Industry estimate of market size in Illinois is ~US\$784mn revenue in CY23, this compares to US\$555mn in New Jersey.

In CY19, New Jersey generated US\$299mn sports wagering revenue.

Currently, there are seven casinos/racetracks that have been granted a sports wagering license in Illinois, only two are operational.

### Before Covid-19

Illinois **was** a location market because the state initially required physical sign-up at a sports book for the first 18 months. Pointsbet physical site is Hawthorn Racecourse - located some 13km from downtown Chicago where ~75% of Illinois population lives. The next closest location is River Casino / BetRivers - 25km from downtown Chicago.

### During Covid-19

Due to Covid, physical sports betting operations at Rivers Casino (BetRivers) and The Argosy (Penn National) were open for less than a week before the state of Illinois ordered the closure of the state's casinos.

On 4th June 2020, the Illinois Governor issued an Executive Order waiving the in-person registration requirement for the duration of the "Gubernatorial Disaster Proclamations" related to Covid-19. Bettors have been given an unexpected opportunity to register online.

With the Argosy online book not being live yet, BetRivers became the only live online sports betting operator in Illinois (from 18th June 2020).

In June 2020, DraftKings also announced its partnership with Queen Casino. Queen Casino is located 480km from downtown Chicago. However, for as long as the Executive Order stands, DraftKings can launch online operations with Queen Casino and location is irrelevant for punters.

The Executive Order lasts until Covid-19 restrictions are lifted. In Illinois a condition for lifting Phase 4 Covid-19 restrictions includes the release of a vaccine or some medication that significantly reduces the

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threat of the virus.

### Branding

Illinois current sports betting law requires that internet and mobile sports wagering brand “shall only” be offered under the “same brand” as an Illinois licensed track or casino, or a brand owned by certain related entities at the time the Act was passed . Pointsbet, for example was not an Illinois casino or track at the time the Sports Wagering Act was passed.

Therefore it becomes questionable as to whether or to what extent wagering operators such as Pointsbet can incorporate their names into apps and media content. Establishing the brand is a pre-requisite for creating media content.

However, an Emergency Rule was proposed (not yet filed or adopted) to State Congress by the Gaming Board on branding. Under this emergency rule, operators' brands/names can appear in conjunction with the master sports wagering license holder, but in smaller print. We have seen this in Pennsylvania which has a similar rule and allows the wagering operators brand to be subordinated to casino licensee's brand on media content.

### Post Covid-19

There are three online only licenses up for grabs from December 2021 at a prohibitive price of US\$20mn each. The 18-month physical sign-up requirement also expires in December 2021.

However, if the Executive Order relaxing the requirement for physical signups remains in place for an extended period, the requirement to pay US\$20mn for an online only licence, is undermined.

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## Companies Mentioned (Price as of 16-Jul-2020)

**DraftKings, Inc.** (DKNG.OQ, \$32.56)

**Paddy Power** (FLTRE.I, €127.55)

**Pointsbet** (PBH.AX, A\$5.67)

**Tabcorp Holdings** (TAH.AX, A\$3.31)

## Disclosure Appendix

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TAH.AX	Closing Price	Target Price	
Date	(A\$)	(A\$)	Rating
04-Aug-17	4.35	4.80	N
17-Aug-17	4.13	4.80	O
12-Dec-17	5.33	5.20	N
19-Feb-18	4.62	5.20	O
08-Aug-18	4.84	5.15	
25-Oct-18	4.58	5.05	
03-May-19	4.74	5.05	N
14-Aug-19	4.40	4.56	
08-Oct-19	4.90	5.00	
20-Feb-20	4.27	4.50	
10-Mar-20	3.39	4.50	O
18-Mar-20	2.53	4.25	
07-Apr-20	2.77	3.20	
29-Apr-20	3.18	3.20	N
29-Jun-20	3.34	3.65	

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