SPECTRUM GAMING GROUP

Independent Research and Professional Services

Economic Market Study:

Casinos, Cardrooms and Other Forms of Gambling in Washington State

Prepared for Washington State Gambling Commission

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Project Scope

1. Assess gaming facilities/scope of industry
2. Analyze/project gross gaming revenue
3. Estimate jobs, wages
4. Estimate economic impacts
5. Analyze population trends
6. Examine relationship of gaming, tourism
7. Examine key gaming trends
8. Evaluate new/emerging forms of gaming

Project Methodology

- Analyze public data
  - WSGC through FY 2014
  - State, federal, industry
- 50+ interviews
- Site visits June 5-21
  - All 26 Class III casinos
  - 16 cardrooms
- Analytical tools
- Our experience
  - 12 staff, associates on project team

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Facilities / Scope of Industry

- 80 WA ‘casinos’ – more than all but three states: NV, CA, OK
- Wide range of sizes, styles, quality
- On balance, casinos compare well vs. competing states
- Class III casinos: (Spectrum classifications)
  - 5 major destination resorts
  - 7 regional destination resorts
  - 9 regional casinos
  - 5 locals casinos
- 50 cardrooms, well distributed

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Revenues

- Casinos, cardrooms combined
  - Estimated and projected

(in M)	2015	2016	2017	2018	2019	2020
Class III Casinos	$2,322.0	$2,390.7	$2,749.1	$3,124.6	$3,213.4	$3,305.1
Class II Casinos	$60.8	$62.7	$64.9	$67.2	$69.7	$72.2
Card-rooms	$225.9	$216.8	$216.2	$212.7	$201.4	$189.3
Total Gaming	**$2,608.7**	**$2,670.2**	**$3,030.2**	**$3,404.5**	**$3,484.5**	**$3,566.6**

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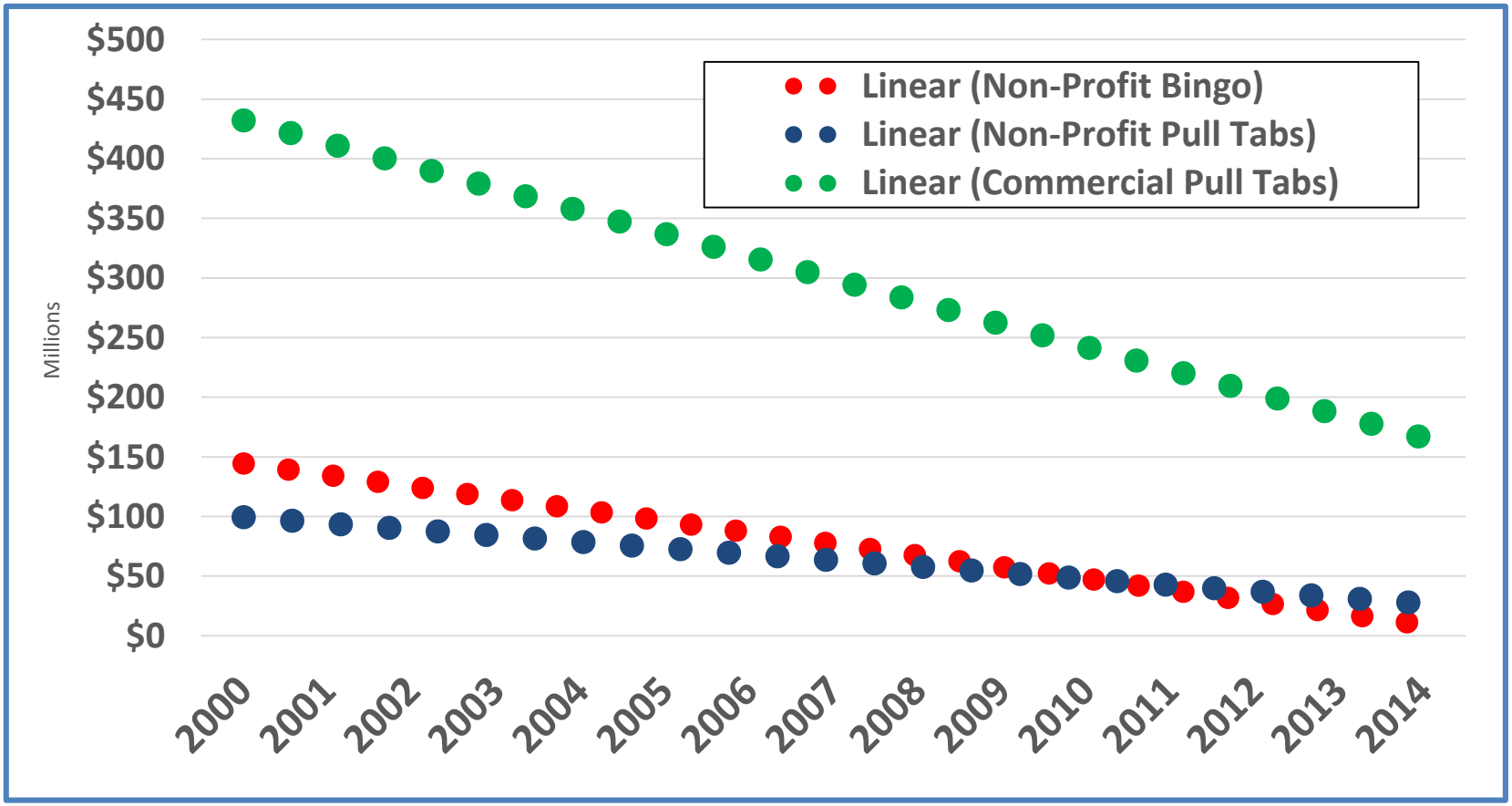
Revenues

- Trends in bingo, pull tabs



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Employment, Wages

- Casinos: 17,098 jobs
- Cardrooms: 6,231 jobs
- Combined payroll: $514.5M
  - Average FTE wage: $31,150
- Other forms of gambling
  - Est. 300-500 gambling-specific jobs for bingo, pull-tabs

Economic Impacts

- Casinos, cardrooms combined
  - Average annual contributions, 2015-2020

($ in 2016 M)	Direct Effect	Indirect Effect	Induced Effect	Total Effect
Employment	25,431	8,009	5,328	**38,768**
Income	$616	$452	$264	**$1,332**
Output	$4,143	$1,349	$828	**$6,320**
Value Added	$2,209	$732	$484	**$3,424**

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Population Trends

- WA population of 7.06M in 2015 ... 78% age 18+
  - Expected to grow 5.5% by 2020
- WA casinos are well distributed, unlike in many states:
  - 83.5% of WA adults live w/in one-hour drive of a WA Class III casino; increase to 90% with Cowlitz opening
  - 99% live w/in two-hour drive of a WA Class III casino
- Some areas may be underserved by Class III casinos – i.e., more than one-hour drive
  - Cardrooms may fill some of void
- Casinos and cardrooms combined – only 42.1% of facilities, 48.2% of gaming positions are in Seattle MSA

Gaming and Tourism

- Gaming not major part of WA tourism, but …
- Very much part of tourism fabric
  - Casinos part of messaging for Visit Seattle, Visit Spokane, WA Tourism Alliance
  - Casino operators are active in tourism organizations
- Most casino tourism in-state
- If no WA casinos, $790M in GGR exported to out-of-state casinos

Gaming and Tourism

- WTA's experienceWA.com lists Gaming as one of 10 'Things to Do'

Gaming in Washington State

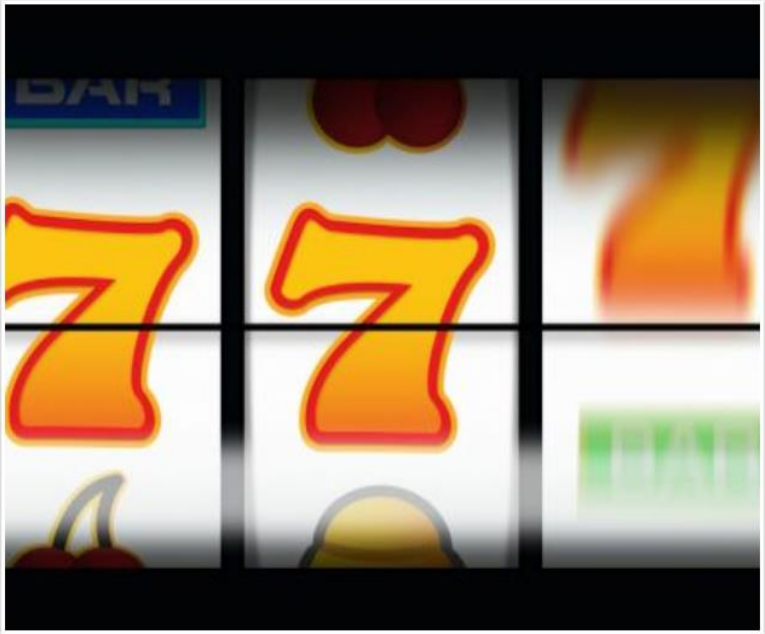
Hit the jackpot with gaming in Washington State.

Want to roll the dice, spin the wheel, double down, play the ponies, sink one in the corner pocket or try to hit the jackpot? You'll find what you're looking for here. Washington State offers thoroughbred horseracing, bingo parlors, pool halls, billiard rooms, card rooms and a wide range of Washington State casino resorts, from the laidback to the luxurious.

The state's larger casinos not only offer gaming, but a chance to win big on entertainment and dining options. Stay the night for the full experience and enjoy the hotels, spas and attractions centered around Washington State's gaming opportunities.

Live music and comedy shows, premier restaurants and nightclubs, fights, game days, special events and more are all available to enhance your Washington State gaming experience.

Close



Gambling Key Trends

- 42 states have casinos of some sort
  - About 1,000 casinos in US
  - 2015 GGR: $70.1B
- WA Indian GGR growth outpaced other regions:

CAGR	Washing -ton	Portland Region (AK, ID, OR, WA)	Sacramen -to Region (CA, No. NV)	US West	Total US
2010-15	5.9%	2.6%	2.0%	2.7%	2.4%
2005-15	8.5%	5.1%	1.1%	1.9%	2.8%

CAGR = compound annual growth rate

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Gambling Key Trends

- Non-gaming
  - Point of differentiation as gaming becomes widespread
  - Las Vegas Strip: 73% revenues non-gaming
- Saturation
  - Key issue in any expansion of gaming
- Millennials
  - How to convert them to casino patrons
  - Baby Boomers still key

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New/Emerging Forms of Gambling

- Estimate: real-money Internet gaming can generate $74M - $130M of incremental revenue for WA
- This would equate to 4% of statewide gaming revenue, compared with 6% for NJ

	New Jersey	Washington		
Med. household	2015	Conservative	Base	Aggressive
income	$71,629	$59,478	$59,478	$59,478
Population 21+	7	5	5	5
iGaming/Adult	25	17	22	28
iGaming GGR	$167	87	116	145
		Net GGR		
10% cannibal.		$78M	$104M	$130M
13% cannibal.		$76M	$101M	$126M
15% cannibal.		$74M	$98M	$123M

New/Emerging Forms of Gambling

- Daily fantasy sports not big revenue generator, but attractive to casinos because serves very different demographic group

Attribute	Fantasy sports	Casino Patron
Gender (male)	66%	49%
Average age	37	45
Attained college degree or higher	57%	48%
Household income >$75,000	47%	32%
Full-time employment	66%	64%

	Conservative	Base	Aggressive
18+ Population of Washington	5,458,809	5,458,809	5,458,809
Participation rate	9%	11%	13%
Daily fantasy participants	495,626	604,803	713,979
Entry fees @ $180/participant	$89,212,764	$108,864,476	$128,516,189
Revenue @ 10% rake	$8,921,276	$10,886,448	$12,851,619

New/Emerging Forms of Gambling

- Skill-based ‘slots’ more active form of game play than slot machines
- WA residents likely receptive to skill-based games: residents are young, tech-savvy
- Gaming companies based in WA include Bungie (Halo franchise), Unikrn
- Gamblit and GameCo skill-based games available to play in NJ, NV, CA

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New/Emerging Forms of Gambling

- Legal sports betting would add at least 2% increase in GGR at casinos and cardrooms
  - At current levels, this would equate to incremental $50M - $55M
- The 2% increase in revenue based on results in NV, where sports betting is 2% of GGR
  - Does not reflect increase in slots and table revenue from increased visitation to casinos from sports bettors

New/Emerging Forms of Gambling

- eSports will bring Millennials to casinos, cardrooms
- More than 50% of eSports enthusiasts are between 21 and 35
- Opportunities to get involved in eSports include:
  - Betting on eSports
  - Hosting an event
  - Provide residency for team/streamer

New/Emerging Forms of Gambling

- eSports is becoming big

New/Emerging Forms of Gambling

- Online live dealer gaming just beginning in US

Thank You

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