

How Middle America's casinos fuel Australia betting revolution

Small-town US gaming dens offer an entry point into the lucrative online wagering market

JARED LYNCH
JOHN STEINSHOLT

The small seaport town of Colonial Beach on the Maryland and Virginia state border about 100km south of Washington DC seems an unlikely place for an Australian betting revolution.

A quaint resort nestled on the banks of the Potomac River, Colonial Beach is also the site of the Riverboat on the Potomac Casino.

American casinos are not all that glitzy and glamour of the famed Las Vegas strip. The Riverboat on the Potomac is a small casino once known as "Little Reno", on a pier as long and as wide as a football field.

Its investors say it is a "fine facility where you can enjoy a walk along the waterfront, dining, satellite simulcast horse racing, and of course one of the finest retail sportsbooks anticipated in the state of Maryland". It also has a banquet hall and liquor store open every day.

Crucially, small outlets like the Riverboat have something else vital to the big global betting companies and Australian firms alike: the ability to piggyback off its casino licence to offer online sports betting, and access to a huge new sports-mad market in the US where online betting has only recently been allowed for the first time across big parts of the population.

Therefore, a deal the Potomac's owners struck last May with ASX-listed PointsBet, headquartered in Melbourne, was a company-wide agreement to bring, satellite simulcast horse racing, and proof of the betting gold rush taking place across the US.

The deal gave PointsBet market access in Maryland, under what is known as a "skin" agreement, for 10 years. It pays Riverboat market access fees and a portion of net gaming revenues from online and retail sportsbooks.

'Explosive' market

The term skin refers to the unique brands that can operate under each individual gambling licence, and the competition is fierce in what has been called an "explosive" market.

Riverboat on the Potomac investor Tony Jones is keen to tell the story. "We are truly honoured to have this opportunity to share with you one of the world's good fortune to partner with PointsBet, a premier sports betting operator," he tells The Weekend Australian from Maryland.

He was particularly impressed at PointsBet's personal touch, with its vice-president of corporate development Paul Hannon, driving almost four hours from his office in Philadelphia along the I-95 to visit the Riverboat.

Hannon was the only suitor to make the trip. "To do that meant a lot and gave ownership an opportunity to understand the people behind the curtain," Jones says.

PointsBet chief executive Sam Swannell remembers driving 2½ hours through the Iowa corn fields with rain sheeting down sideways to spend six hours testifying before state government authorities for his company to eventually gain a licence with the Catfish and Bend Casino in Burlington.

"I met with our partners there and went out to a fantastic restaurant on the Mississippi River. And it's one of those experiences where you go OK, well, I've had the benefit of going to New York and Las Vegas but I've also had the benefit of having dinner at a restaurant on the Mississippi. It was great," Swannell says.

"If you're going to convince these guys to partner on their licence and on their skin, they have to be convinced you're going to have some success because we basically pay them a clip of the ticket for the right to use the skin. "But there is definitely a major element of this that's built around relationships. So I've done a lot of road trips there and we've got a lot of people on the ground now."

"There is definitely a major element of this that's built around relationships"

SAM SWANNEL
POINTS BET CHIEF EXECUTIVE

Swannell was also in the US when the US Supreme Court struck down the Professional and Amateur Sports Protection Act, in May 2018, and since then sports betting across the US has boomed. Goldman Sachs projects the size of the US sports betting market to soar from \$150.00m to \$195.99m (\$53bn) by 2033.

Jones says the market has become "explosive", with those who are tech-savvy likely to succeed.

"The always are flooded with ads, commercial endorsements by current and former professional athletes, and other movie/entertainment personalities," he says.

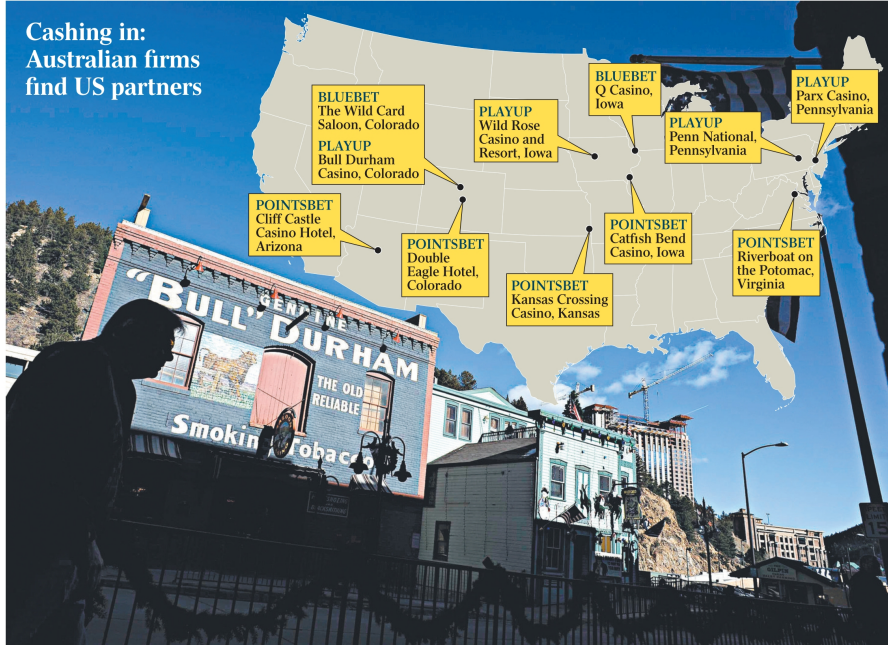
"Major US media and broadcasting outlets have all jumped in with an ever-growing number of gaming partners and betting opportunities. Our PointsBet partner's exclusive agreement, signed with NBC - one of the largest networks in the US - was for Riverboat on the Potomac, a game-changing move, and we could not be more excited."

Trevor Croker, chief executive of ASX-listed poker machine giant Aristocrat, which services the US regional and tribal casino market as well as the bigger centres of Las Vegas and Atlantic City, says such deals make sense.

"The first thing is most of those (US gambling) licences are going to be held by traditional bricks-and-mortar operators, not by B2C (online betting) operators," Croker says. "So that's the most logical way for them to enter that (online sports betting) market. How they scale and can they get scale is going to be a bigger question."

Bluebet, another ASX-listed company and headquartered in Sydney, has secured two skin agreements as part of its US expansion - in Iowa and in Black Hawk, Colorado.

Black Hawk, a former mining town with a population of 127, battled a decline during the 20th century before it morphed into a casino town in 1991. Now it is seeking



Cashing in: Australian firms find US partners

Bluebet has partnered with the Wild Card Saloon and Casino, a two-storey historic weatherboard building painted in two shades of green with an American flag above one of its front windows.

According to the Colorado Casino's website, the Wild Card Saloon is a "local employee hangout that offers home cooked meals, decent prices and a regular convenience store in the back."

"You can get cheap cigarettes, candy, drinks, etc. The casino itself has slots and ongoing promotions and a loyal following of customers who appreciate the small town feel of the Wild Card - not to mention the occasional live music."

It seems an unlikely site to also feature paraphernalia for an Australian betting company. But Bluebet's agreement with the Wild Card Saloon gained it the right to take online sports bets across all of Colorado - the US's sixth-largest sports wagering market, with turnover of \$US3.7bn last year, 98 per cent of which was mobile or online.

Bluebet CEO Bill Richmond says the Wild Card Saloon deal is a big opportunity and mutually beneficial for both parties. "They don't have the scale (to offer online betting)," Richmond says.

"There are other states with some bigger casinos that have the financial wherewithal to open a sportsbook. But the reality is they don't have the experience in running a profitable sportsbook."

"I mean, it's very different to running a casino. A lot of people thought originally that you just put up a website, put up prices and



GETTY IMAGES

Casinos' licences are more lucrative than slot machines

you'll make money. Unfortunately, if bookmaking was that easy, everyone would be doing it. There's more to it than that. That's where we come in."

Next door the Wild Card Saloon is the Bull Durham Casino. Like the Wild Card, it is a historic building and houses slot machines and three coin bar video poker. Sharp Shooter members receive free hot dogs, claimed as the "best in Black Hawk".

And also like the Wild Card Saloon, Bull Durham has attracted an Australian partner, the privately owned PlayUp, which has skins with established casinos and racetracks ranging from Pennsylvania-based Pacer Casino and Penn National that give it access to New Jersey to the renowned Caesars Entertainment for iGaming, or online casino licences.

But PlayUp's first deal was with the Bull Durham Casino, which has been operating for almost 30

years, Matt Davey, an Australian gambling entrepreneur based in Las Vegas, says there has been a rush to grab online licences every time and eventually were able to get the deals done. It is different.

It is a similar story with PointsBet's recent deal to back curling in Ontario, Canada. While an Australian company being involved in a quintessentially - and unique - winter sport seems odd at first glance, Swannell points out that a recent curling event in Canada's most populous state had 2½ times the television audience than that night's Toronto Raptors NBA basketball game.

"We've also done a deal with the Trailer Park Boys TV series there and the ads we've done have already had more than 12,000 views on YouTube," Swannell says. "It's early days but it looks like that strategy is going to resonate."

But Davey warns that the intense competition from international giants piling into North America and from established casinos creating their own digital betting operations will eventually cause a shake-out.

"We keep seeing states open up that we expected, and the uptake by consumers keeps happening at a quicker rate than we expect too," Davey says.

"Every state is unique and it is really different to Australia where you have a deal with the government," PlayUp chief executive Daniel Simic says. "In the US, you deal with casinos or racetracks, or sports teams like Lacrosse."

PlayUp will become Panther City's fantasy sport and e-sports sponsor. Crucially, the deal also includes a market access element, which means that if sports betting is legalised in Texas, the partnership could secure PlayUp access to a huge state.

"Each state takes their own approach on how to do things. You might have a state where a land-based licensed casino will be issued, for example five skins for iGaming and another three for sports betting," Davey says.

"Then the international or interstate operators gain licences to operate online after striking agreements with the land-based entities. They will come to agreements on revenue or profit share, or however the joint venture is arranged. But it can be different across other states. For some states, such as Texas, there are no land-based casinos. There you are likely to have sports teams that have the licences."

It is a big opportunity, which is

why last month PlayUp struck an agreement with a new team in the National Lacrosse League based in Fort Worth, Texas: the Panther City Lacrosse Club.

PlayUp will become Panther City's fantasy sport and e-sports sponsor. Crucially, the deal also includes a market access element, which means that if sports betting is legalised in Texas, the partnership could secure PlayUp access to a huge state.

"Every state is unique and it is really different to Australia where you have a deal with the government," PlayUp chief executive Daniel Simic says. "In the US, you deal with casinos or racetracks, or sports teams like Lacrosse."

It is a big opportunity, which is

why last month PlayUp struck an agreement with a new team in the National Lacrosse League based in Fort Worth, Texas: the Panther City Lacrosse Club.

PlayUp will become Panther City's fantasy sport and e-sports sponsor. Crucially, the deal also includes a market access element, which means that if sports betting is legalised in Texas, the partnership could secure PlayUp access to a huge state.

IN BRIEF

Samarco reprieve

Samarco has bought itself a three-week reprieve from moves by lenders to seize control of the company from iron ore giants BHP and Vale. The company's creditors were due to vote on a debt reconstruction deal overnight on Thursday, and had been threatening to seize control of the iron ore miner if Samarco's offer was not vastly improved from the option due to go to the vote. But the meeting was suspended after Samarco made a few last-minute adjustments to its current offer, and lenders agreed to give the company more time to discuss its plan with creditors. A spokesman for the lenders' so-called Ad Hoc Group of Creditors - which claims to speak for about two-thirds of the \$US5bn (\$6.8bn) owed to external creditors - said a vote would now be held on April 1. "The group understands that it is in the spirit of the Judicial Reorganisation procedure to promote a productive and good faith discussions among all stakeholders on the judicial reorganisation plan," he said. Under the lenders plan, circulated ahead of this week's meeting, lenders would use their collective muscle to seize control of Samarco and install a new board and management team, led by former Vale chief financial officer Tito Martins, that was independent of Vale and BHP.

Hochtief lifts stake

Hochtief Australia has continued to increase its stake in CIMIC after lobbing a takeover bid for the listed company last month. The subsidiary of Spanish construction company ACS now controls \$3.68 per cent of CIMIC, almost 6 per cent higher than the 77.69 per cent it owned prior to announcing the takeover offer on February 23. The \$1.5bn bid by Hochtief to buy the remaining shares in CIMIC at \$22 cash per share values the country's largest builder at \$8bn. The company's share price last traded on Friday at \$2.02.

PSC raises \$80m

PSC Insurance said it had received binding commitments for a capital raising to institutional and sophisticated investors for some \$80m. The raising was conducted at \$4.50 per share. The money will be used for "the funding of acquisitions in accordance with our growth strategy," the company told the ASX. "Since January 2021, the group has completed 12 acquisitions for an aggregate base purchase price of \$139m and distributing \$16m in additional EBITDA on an annualised basis." PSC shares fell 4.6 per cent on Friday to close at \$4.62.

AnteoTech query

The ASX has queried whether chemistry firm AnteoTech should have disclosed that an investor presentation made on Thursday was price-sensitive. Shares in the company fell almost 40 per cent in trade that day. "Information disclosed within the presentation may explain the recent trading," said AnteoTech company secretary Tim Pritchard. "AnteoTech does not believe anything material was discussed in the webinar that was not commented on in previous announcements and updates." AnteoTech fell another 10.5 per cent on Friday.

GDA Diversified Property Trust

10% pa

income paid quarterly

10yr annualised total return 10.60%

Performance ²	1 yr	2 yr	5yr	10yr
Distribution Return	6.61%	6.37%	6.97%	7.26%
Growth Return	7.13%	3.80%	7.40%	3.34%
Total Return	13.74%	10.17%	14.37%	10.60%

John Di Monda
Managing Director

Malcolm Penglass
Investor Relations

John Fairlie
Chairman

Helen Cowhan
Director

Allistair Lindsay
Non-Executive Director

Rod Parker
Non-Executive Director

To Invest: The Product Disclosure Statement (PDS) for the Trust containing the application form is available from our website or by contacting us directly.

¹Based on actual distribution of 6.55 cents per annum per unit and a current unit price of \$1.0899 as at 31 December 2021. ²Performance data for the periods longer than one year have been annualised, total return includes income and growth. Capital growth and income are not guaranteed and are subject to the assumptions and risks contained in the PDS. Past performance is not a reliable indicator of future performance. This advertisement is issued by GDA Securities Ltd (ABN 58 105 612 600) (ASX: G30) (GDA). GDA is the issuer of the financial product comprising units in the GDA Diversified Property Trust (ARSN 108 211 651) (Trust). Applications for investment can only be made on the application form accompanying the PDS dated 22 December 2020 for the Trust and available from www.gdagroup.com.au/the-fund/. The PDS contains full details of the terms and conditions of investment and should be read in full, and particularly the risk section, in deciding whether to invest and prior to logging any application or making a further investment in the Trust. The information in this advertisement and PDS does not take into account your personal objectives, financial situation or needs, and therefore does not constitute, and should not be taken as constituting, personal financial product advice by GDA. GDA recommends you seek independent professional financial advice from a licensed financial adviser on the suitability of this investment to you, your objectives, financial situations and needs. Not all Directors are shown. The Target Market Determination (TMD) for the Trust is available at www.gdagroup.com.au/forms-downloads/