

Financial Boot Camp: Understanding the Internet Gaming and Sports Wagering Business in New Jersey from a Financial Perspective

Presented by the New Jersey Division of Gaming Enforcement (DGE):

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Office of Financial Investigations**



Presenter: Christopher Glaum

- 1987 to 2011: Began career as a Financial Analyst in the Financial Evaluation Unit (FEU) of the Casino Control Commission (CCC) and progressed to Manager of FEU in 1993.
- 2011 to 2025: Transferred to DGE in 2011 as the Administrator of the Office of Financial Investigations (OFI).
 - December 2015: Became Deputy Chief of Investigations for Casino Licensing and Financial Investigations.
 - May 2021: Became Chief of Investigations and oversees Licensing, Operations, and Financial Investigations.
- BBA from Temple University (Accounting and Finance)
- MBA from Rutgers University - Camden (Management)
- Certified Public Accountant Licensed in New Jersey
- Adjunct Instructor at Rowan University: Undergraduate and MBA Accounting courses
- Former Adjunct Instructor at Stockton University, Rutgers University – Camden, and Drexel University: Accounting, Finance and Hospitality courses

Presenter: Charity Yeoman

- 2000 to 2011: Began regulatory career as an Inspector with the CCC and later served as a Senior Operations Analyst with CCC.
- 2011 to 2025: Joined DGE in 2011 as an Investigator. Diverse roles include Revenue Certification, Casino Licensing, Service Industry Licensing, and OFI. Since 2022, serves as the Administrator of Investigations for OFI.
 - Oversees a team of investigators who conduct complex financial analyses of mergers, acquisitions, restructurings, and material debt transactions.
 - Responsible for prescribing, reviewing and maintaining casino industry financial reporting for land-based casinos, Internet gaming, and sports wagering.
 - Supervises all public financial reporting, including monthly and quarterly press releases, tax filings, quarterly financial reports, and other financial reports.
 - Prepares tax revenue projections to support the New Jersey State Budget process.
- BA from Stockton University with additional accounting coursework.

Goals

- Identify the basic types of business arrangements used by the casinos and racetracks to monetize the Internet gaming and sports wagering business in New Jersey.
- Understand how each arrangement impacts revenue and profits of the Atlantic City casinos.
- This presentation does not focus on the revenue and income of the racetracks who offer sports wagering.

Goals

This presentation is designed to answer the following questions:

1. Where can I find financial information regarding Internet gaming and sports wagering?
2. How is the gross revenue from Internet gaming and sports wagering shared by casinos, racetracks, affiliates, and third-party operators?
3. How does the Internet gaming and sports wagering business impact the net revenue and gross operating profit (GOP) of the casinos?
4. How does Internet gaming and sports wagering impact the Casino Property Tax Stabilization Act, more commonly referred to as the PILOT?
5. How has Internet gaming and sports wagering impacted the gaming vs. non-gaming revenue mix over the years?

Topics

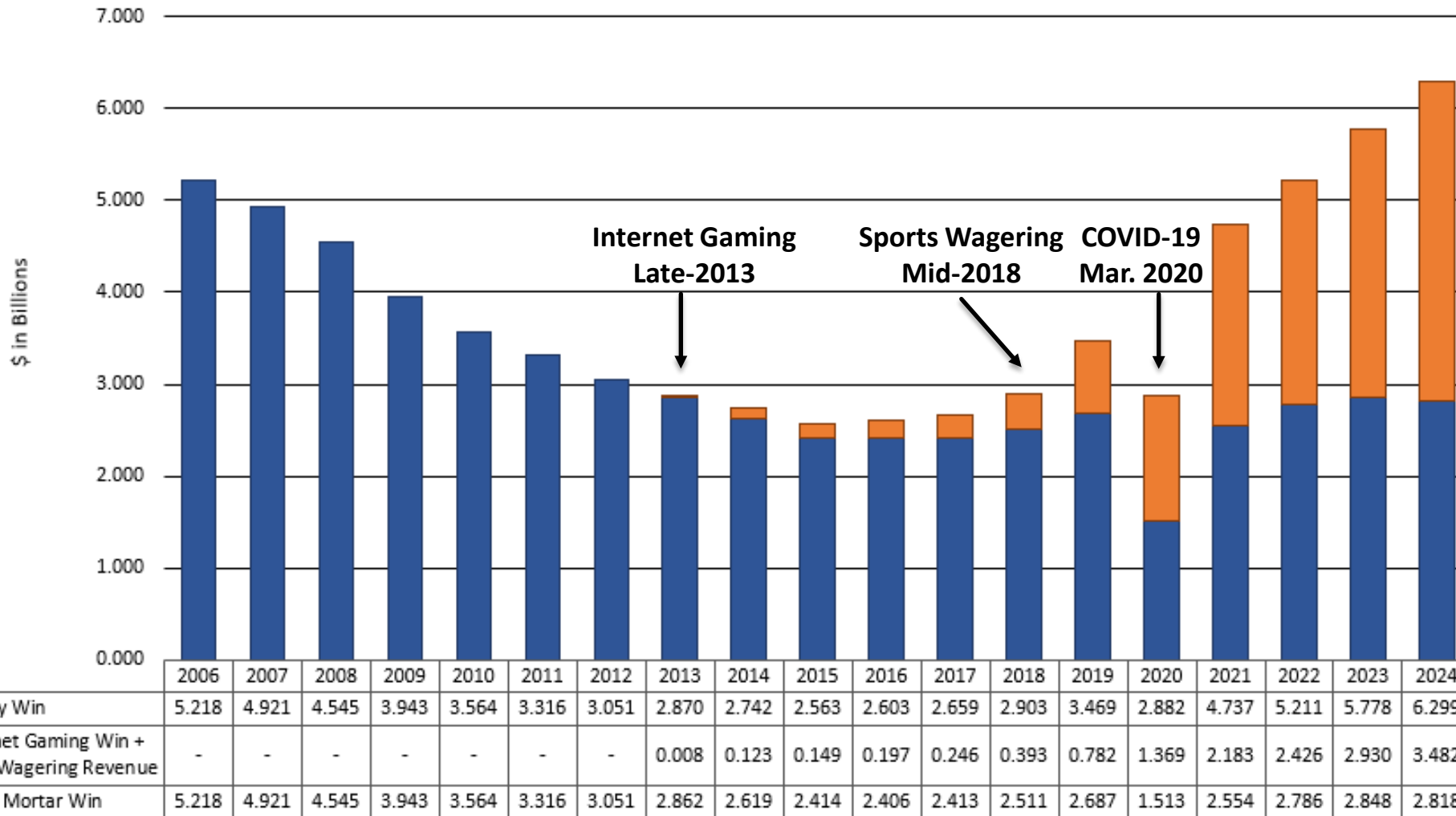
1. Overview of Internet Gaming and Sports Wagering
2. Basic Types of Business Arrangements
3. Monthly and Quarterly Financial Reporting
4. Proportion of Gross Revenues Reported by Each Business Arrangement
5. Implications for the Atlantic City PILOT
6. Understanding the Revenue Mix of an Atlantic City Casino in 2025

Proprietary Information

- The DGE does not publicly disclose proprietary information regarding Internet gaming and sports wagering, such as the terms of contractual arrangements between casinos and Third Parties.
 - The Casino Control Act details what is public information, with all other information deemed confidential.
- Net revenue, expenses and GOP associated with the Internet gaming and sports wagering business is not public information.
 - That data is, however, included in a casino's Income Statement.
- This creates a challenge in understanding the financial impact of Internet gaming and sports wagering on individual casinos.

Why Are We Here?

Brick & Mortar Casino Win vs Total Gaming Win



To explain the orange bar, which is the online gaming revenue component. Specifically:

1. Who receives the revenues?
2. How they receive the revenues?
3. What is the financial impact on the casinos?

A Brief History

- Prior to 2013, the only revenue stream was from casino operations.
 - 2006 was the peak year with \$5.2 billion in gross revenue
- Due primarily to regional competition, land-based casino revenue declined every year from 2007 through 2016.
 - 5 casinos closed between 2014 and 2016
- In order to provide support to the casino industry, Internet gaming was legalized in 2013; Sports wagering was legalized in 2018.
- Online gaming revenues grew; Land-based revenues stabilize.
 - 2 casinos open in mid-2018
- Today, online gaming revenues exceed land-based revenues:
 - 55% of gaming revenue from online gaming; 45% from land-based casinos for 2024

Online Gaming Growth

Beginning in 2019, the online gaming market grew dramatically:

- Sports wagering was legalized in mid-2018.
- Strong Third-Party brands such as FanDuel and DraftKings, as well as the BetMGM joint venture, entered the market in 2018.
- The COVID-19 pandemic created a favorable operating environment for online gaming operators in 2020 and 2021 as an alternative to in-person gaming.
- Online operators took advantage of the cross-marketing synergies between Internet gaming and sports wagering.
- The inventory of Internet gaming slot machine games and table games, as well as “Live Dealer” table game, significantly increased the gaming options for online customers.

Topic 1: Overview of Internet Gaming and Sports Wagering

Overview of Internet Gaming

- In early 2013, the enabling statute for Internet gaming provided casino licensees in Atlantic City with the exclusive ability to operate online casinos.
- It was widely recognized at that time that the Atlantic City casinos did not have the ability or expertise to operate an online casino. Thus, the casino licensees needed to enter contractual arrangements with experienced online operators, game providers, etc., to commence operations.
- Each casino is permitted to have up to five Internet casino operations, which typically are referred to herein as “skins.” With nine land-based casinos, the maximum number of online Internet gaming skins is capped at 45, of which 28 were operational as of July 31, 2025.

Overview of Sports Wagering

- In early 2018, the sports wagering statute provided Atlantic City casinos and New Jersey racetracks with the ability to offer sports wagering in lounges within their facilities and up to three online skins per property.
- Since there are nine land-based casinos and two racetracks, the maximum number of online sports wagering skins is currently capped at 33, of which 15 were operational as of July 31, 2025.
- Similar to Internet Gaming, Atlantic City casinos and racetracks needed to enter contractual arrangements with experienced online operators and other technology providers to commence operations.

Topic 2: Basic Types of Business Arrangements

Business Arrangements

- With up to five skins available for Internet gaming and up to three online skins for sports wagering, casinos and racetracks (sports wagering only) took four basic approaches to monetize the online gaming business in New Jersey:
 1. Casino Skin: A casino or racetrack could operate one or more skins.
 2. Affiliate Skin: Affiliates/owners of a casino or racetrack could operate skins.
 3. Third-Party Skin: A casino or racetrack could enter contractual agreements that provide Third Parties with access to the New Jersey market in exchange for a fee.
 4. Joint Venture Skin: A casino or their parent company could form a joint venture with an established online operator (Borgata/BetMGM).

Casino Skins

Casino Skins as of July 31, 2025:

1. Bally Bet
2. Ocean

Note: There are no racetracks that conduct their own online sports wagering operations; All racetrack skins are Third-Party Skins.

Affiliate Skins

Affiliate Skins as of July 31, 2025:

1. Caesars Palace and Sportsbook (affiliated with Tropicana)
2. Tropicana Casino (affiliated with Tropicana)
3. Harrah's Casino (affiliated with Tropicana)
4. World Series of Poker (affiliated with Tropicana)
5. Hard Rock Bet (affiliated with Hard Rock)
6. Monopoly (affiliated with Bally's)

Third-Party Skins

As of July 31, 2025, there are 19 online skin “brands” that operate Internet gaming, sports wagering, or both in New Jersey:

Skin Brand	Licensee
1. FanDuel	Golden Nugget (IG)/Meadowlands (SW)
2. DraftKings	Resorts
3. BetFanatics	Bally's
4. BetRivers	Golden Nugget (IG)/Monmouth (SW)
5. Golden Nugget	Golden Nugget
6. Bet365	Hard Rock
7. ESPN Bet	Resorts
8. Playstar	Ocean
9. Resorts Casino	Resorts
10. PokerStars	Resorts
11. Jackpocket	CIENJ (Harrah's)
12. BetParx	CIENJ (Harrah's)
13. Mohegan Sun	Resorts
14. Stardust	Borgata (BetMGM)
15. Spin Palace	Golden Nugget
16. Caesars Sportsbook	Monmouth
17. Jackpot City	Golden Nugget
18. Prime	Ocean
19. Sporttrade	Bally's

Joint Venture Skins

The Joint Venture Skins operated by BetMGM under the Borgata casino license as of July 31, 2025:

1. BetMGM
2. Borgata
3. Party Poker
4. Wheel of Fortune

The Pala/Stardust skin is classified as a Third-Party Skin.

Topic 3: Monthly and Quarterly Financial Reporting

Monthly Public Data

- DGE Monthly Press Release: A monthly and year-to-date report of gross revenue and taxes from land-based casinos, Internet gaming, and sports wagering, as well as sports wagering statistics.
 - <https://www.njoag.gov/about/divisions-and-offices/division-of-gaming-enforcement-home/financial-and-statistical-information/monthly-press-releases-and-statistical-summaries/>
- Monthly Gross Revenue Reports for Each Casino
 - <https://www.njoag.gov/about/divisions-and-offices/division-of-gaming-enforcement-home/financial-and-statistical-information/monthly-gross-revenue-reports/>

Monthly Public Data

- Monthly Internet Gross Revenue Reports for Each Casino
 - <https://www.njoag.gov/about/divisions-and-offices/division-of-gaming-enforcement-home/financial-and-statistical-information/monthly-internet-gross-revenue-reports/>
- Monthly Sports Wagering Revenue Reports for Each Casino and Racetrack
 - <https://www.njoag.gov/about/divisions-and-offices/division-of-gaming-enforcement-home/financial-and-statistical-information/monthly-sports-wagering-revenue-reports/>

Quarterly Public Data

- DGE Quarterly Press Release: A quarter and year-to-date report of net revenue, gross operating profit, and room statistics for casinos.
 - <https://www.njoag.gov/about/divisions-and-offices/division-of-gaming-enforcement-home/financial-and-statistical-information/quarterly-press-releases-and-statistical-summaries/>
- Quarterly Financial Reports for Each Casino
 - <https://www.njoag.gov/about/divisions-and-offices/division-of-gaming-enforcement-home/financial-and-statistical-information/quarterly-financial-reports/>

Recent Financial Reporting Changes

- Pursuant to N.J.S.A. 5:12-70 (a)(14), the Casino Control Act (Act) requires DGE to provide for a minimum uniform standard of accountancy methods to assure consistency, comparability, and effective disclosure of all financial information.
- Due to the various ways that Internet gaming and sports wagering operations are conducted in New Jersey, consistency and comparability became particularly challenging.
- Accordingly, DGE took many steps in recent years to improve consistency, comparability, and transparency of the public reporting of Internet gaming and sports wagering data.

Monthly Revenue Reports

- Prior to 2024, DGE publicly released the Internet gaming and sports wagering gross revenue on a combined basis for each casino and racetrack licensee. Thus, DGE did not publicly disseminate the gross revenue of individual Internet gaming and sports wagering skins.
- Due largely to the growth in Internet gaming and sports wagering revenue in New Jersey, as well as attempts by industry analysts to “estimate” gross revenue by individual skins, DGE made the gross revenue results by skin public effective January 1, 2024.
 - Monthly Press Release statistics and presentation did not change during 2024.
 - Individual skin data made public through the tax filings posted to the DGE website.

DGE Monthly Press Release

- To further improve transparency related to the public reporting of Internet gaming and sports wagering operations, DGE made substantive changes to the Monthly Press Release starting in January 2025.
- Most significantly, gross revenue for Internet gaming and sports wagering is now reported by skin, rather than by the casino or racetrack the operator is affiliated with.
- The revised reporting framework identifies the primary recipient of gross revenue from each skin operation, in contrast to the former approach which combined all of the revenues based upon the casino or racetrack affiliation.

Resorts Example

- Resorts is partnered with DraftKings, a Third-Party operator that is among the highest revenue producing Internet gaming and sports wagering operators in New Jersey.
- In September 2024, Resorts sold the “Resorts” and “Mohegan Sun” branded skins to an affiliate of Boyd Gaming.
 - Affiliate Skins formerly operated by Resorts Digital became Third-Party Skins.
- Currently, Resorts only has Third-Party Skins.
- Accordingly, Resorts’ revenues in the Monthly Press Release now reflect the revenue from its brick-and-mortar operation and its retail sports wagering lounge. The revenues associated with Third Parties are now reported by each individual operator.

Resorts Gaming Revenue
For the Seven Months ended July 31, 2025
(\$ in Thousands)

	Resorts in Former DGE Press Release	Current DGE Press Release		
		Reported by Resorts	Reported by Third Party	Total
Casino Win	\$ 93,399	\$ 93,399		\$ 93,399
Internet Gaming Win:				
DraftKings			323,904	323,904
ESPN Bet			18,307	18,307
Resorts			13,305	13,305
PokerStars			7,887	7,887
Mohegan Sun			6,727	6,727
Total Internet Gaming	370,130	-	370,130	370,130
Sports Wagering Gross Revenue:				
Resorts Sports Wagering Lounge		108		108
DraftKings (Online)			171,905	171,905
ESPN Bet (Online)			18,709	18,709
Total Sports Wagering	190,722	108	190,614	190,722
Total Gaming Revenue	\$ 654,251	\$ 93,507	\$ 560,744	\$ 654,251
Percentage of Revenue		14.3%	85.7%	100.0%

Key Points:

- Resorts' Casino Win and the Sports Wagering Lounge Gross Revenue totaled \$93.5 million.
 - Resorts' share of Total Gaming Revenue was 14.3%.
- Third-Party online operators are the primary recipient of \$560.7 million in Internet Gaming and Online Sports Wagering Gross Revenue.
 - The Third-Party Skin share of Total Gaming Revenue was 85.7%.
- Though the DGE stated in its former press release that Total Gaming Revenue was from Resorts "and its partners", many analysts and media members associated **all the revenue with Resorts**.
- This issue was addressed, and transparency was improved, by the change to the current DGE Monthly Press Release.

Where Does The Data Come From?

In the DGE Monthly Press Release:

- Page 4 contains the Casino Win breakdown for tables games and slot machines.
- Page 5 contains the Internet Gaming Win breakdown by skin.
- Page 6 contains the online Sports Wagering Gross Revenue by skin.
- Page 7 contains the retail Sports Wagering Gross Revenue by casino and racetrack.

The following slides highlight the data used in the Resorts Example.

Casino Win

YEAR-TO-DATE ENDED JULY

Casino	SLOT MACHINE WIN			TABLE GAME WIN			TOTAL CASINO WIN		
	2025	2024	% Change	2025	2024	% Change	2025	2024	% Change
Bally's	55,990,049	64,318,916	(12.9)	21,291,564	20,547,293	3.6	77,281,613	84,866,209	(8.9)
Borgata	321,087,855	303,277,195	5.9	135,887,753	124,543,830	9.1	456,975,608	427,821,025	6.8
Caesars	88,169,623	89,615,294	(1.6)	29,914,695	33,785,802	(11.5)	118,084,318	123,401,096	(4.3)
Golden Nugget	64,876,133	69,912,787	(7.2)	15,059,093	19,147,520	(21.4)	79,935,226	89,060,307	(10.2)
Hard Rock	222,797,839	220,694,551	1.0	95,993,581	96,200,186	(0.2)	318,791,420	316,894,737	0.6
Harrah's	104,921,278	100,988,038	3.9	25,384,492	25,770,193	(1.5)	130,305,770	126,758,231	2.8
Ocean Casino	186,601,278	177,199,509	5.3	75,242,764	58,451,355	28.7	261,844,042	235,650,864	11.1
Resorts	78,271,332	77,228,922	1.3	15,127,812	15,789,479	(4.2)	93,399,144	93,018,401	0.4
Tropicana	101,058,919	102,399,129	(1.3)	26,152,342	28,564,921	(8.4)	127,211,261	130,964,050	(2.9)
Total:	\$ 1,223,774,306	\$ 1,205,634,341	1.5	\$ 440,054,096	\$ 422,800,579	4.1	\$ 1,663,828,402	\$ 1,628,434,920	2.2

INTERNET GAMING WIN COMPARISON

Brand (a)	Casino	MONTH OF JULY			YEAR-TO-DATE ENDED JULY		
		2025	2024	% Change	2025	2024	% Change
FanDuel	Golden Nugget	52,052,953	37,761,067	37.8	358,741,570	273,693,716	31.1
DraftKings	Resorts	48,647,569	41,668,119	16.8	323,904,231	286,865,625	12.9
BetMGM	Borgata	31,399,955	25,262,988	24.3	212,362,996	157,834,302	34.5
Borgata	Borgata	19,981,347	18,774,803	6.4	145,897,398	124,541,202	17.1
Caesars Palace	CIENJ (Tropicana)	18,678,687	12,185,659	53.3	113,927,616	82,114,746	38.7
Hard Rock Bet	Hard Rock	13,394,416	10,353,857	29.4	85,820,138	63,532,643	35.1
Golden Nugget	Golden Nugget	7,941,700	8,679,224	(8.5)	65,436,905	49,331,100	32.6
BetRivers	Golden Nugget	9,114,880	6,528,522	39.6	55,810,118	47,254,742	18.1
BetFanatics	Bally's	12,441,323	2,452,037	407.4	43,012,303	5,260,370	717.7
Bally Bet	Bally's	5,011,965	5,707,197	(12.2)	35,846,679	41,012,798	(12.6)
Playstar	Ocean Casino	2,558,778	2,490,233	2.8	19,058,793	13,694,821	39.2
ESPN Bet	Resorts	2,612,187	2,780,711	(6.1)	18,306,694	22,442,474	(18.4)
Tropicana Casino	CIENJ (Tropicana)	2,235,274	2,674,231	(16.4)	16,042,691	19,142,744	(16.2)
Ocean	Ocean Casino	2,394,646	1,553,782	54.1	14,139,958	15,258,597	(7.3)
Resorts Casino	Resorts	2,360,220	1,941,427	21.6	13,305,236	13,806,974	(3.6)
Party Poker	Borgata	1,649,241	1,369,322	20.4	12,224,133	11,405,554	7.2
Bet365	Hard Rock	2,399,210	1,669,923	43.7	12,174,575	9,095,744	33.8
Parx	CIENJ (Harrah's)	2,077,987	1,271,499	63.4	11,183,758	7,936,204	40.9
Jackpot City	Golden Nugget	1,436,964	417,876	243.9	10,446,170	1,291,929	708.6
Pala/Stardust	Borgata	1,205,625	938,633	28.4	9,157,446	5,913,053	54.9
Monopoly	Bally's	1,316,896	1,628,199	(19.1)	9,079,854	11,970,271	(24.1)
Jackpocket	CIENJ (Harrah's)	1,078,415	970,669	11.1	9,014,499	7,460,537	20.8
WSOP	CIENJ (Tropicana)	1,309,501	1,646,525	(20.5)	8,259,039	8,073,966	2.3
PokerStars	Resorts	1,174,512	1,379,929	(14.9)	7,886,936	10,054,781	(21.6)
Mohegan Sun	Resorts	847,285	1,199,012	(29.3)	6,727,154	7,329,960	(8.2)
Harrah's Casino	CIENJ (Tropicana)	733,727	1,224,618	(40.1)	5,661,403	8,096,095	(30.1)
Spin Palace	Golden Nugget	625,611	157,848	296.3	4,930,012	1,921,947	156.5
Wheel of Fortune	Borgata	617,632	704,883	(12.4)	4,892,511	4,199,373	16.5
Discontinued Brands (b)		-	3,054	N/A	-	14,469,808	N/A
Total:		<u>\$ 247,298,506</u>	<u>\$ 195,395,847</u>	26.6	<u>\$ 1,633,250,816</u>	<u>\$ 1,325,006,076</u>	23.3

ONLINE SPORTS WAGERING GROSS REVENUE COMPARISON

Brand (a)	Casino/Racetrack	MONTH OF JULY			YEAR-TO-DATE ENDED JULY		
		2025	2024	% Change	2025	2024	% Change
FanDuel	Meadowlands	26,915,337	31,932,815	(15.7)	249,238,504	272,487,542	(8.5)
DraftKings	Resorts	21,072,137	25,947,164	(18.8)	171,905,489	163,396,128	5.2
BetFanatics	Bally's	7,989,130	2,661,170	200.2	53,638,017	6,462,945	729.9
BetMGM	Borgata	6,374,425	5,248,028	21.5	42,061,069	35,656,090	18.0
Bet365	Hard Rock	4,405,309	3,029,262	45.4	32,416,407	22,978,721	41.1
ESPN Bet	Resorts	2,232,847	2,437,139	(8.4)	18,709,124	9,237,736	102.5
Caesars Sportsbook	CIENJ (Tropicana)	2,190,755	2,914,938	(24.8)	16,455,348	16,197,895	1.6
Hard Rock Bet	Hard Rock	1,755,575	1,152,267	52.4	9,666,767	4,691,106	106.1
BetRivers	Monmouth	711,978	928,369	(23.3)	6,357,509	5,881,554	8.1
Borgata	Borgata	448,769	789,471	(43.2)	4,294,930	3,969,282	8.2
Caesars Sportsbook	Monmouth	468,271	447,179	4.7	2,798,329	2,627,149	6.5
Bally Bet	Bally's	237,555	-	N/A	1,682,074	-	N/A
BetParx	CIENJ (Harrah's)	316,053	147,724	113.9	1,427,561	1,185,060	20.5
SportTrade	Bally's	(47,118)	(199,293)	76.4	812,330	191,202	324.9
Prime	Ocean Casino	378,429	398,061	(4.9)	486,766	392,879	23.9
Discontinued Brands (b)		-	117,614	N/A	(21,951)	91,433,701	N/A
Total:		<u>\$ 75,449,452</u>	<u>\$ 77,951,908</u>	(3.2)	<u>\$ 611,928,273</u>	<u>\$ 636,788,990</u>	(3.9)

RETAIL SPORTS WAGERING GROSS REVENUE COMPARISON

Casino/Racetrack (a)	MONTH OF JULY			YEAR-TO-DATE ENDED JULY		
	2025	2024	% Change	2025	2024	% Change
Bally's	32,879	55,537	(40.8)	(228,172)	21,540	(1159.3)
Borgata	(1,703,748)	371,285	(558.9)	(725,437)	(7,679)	(9347.0)
Caesars	237,568	(5,131)	N/A	551,553	(416,778)	N/A
Golden Nugget	(95,330)	22,909	(516.1)	133,345	51,741	157.7
Hard Rock	29,428	78,878	(62.7)	(460,968)	372,706	(223.7)
Harrah's	230,534	157,715	46.2	1,058,203	553,653	91.1
Ocean Casino	136,710	(25,537)	N/A	366,633	29,645	1136.7
Resorts	(70,354)	122,367	(157.5)	107,849	(138,721)	N/A
Tropicana	87,687	105,097	(16.6)	467,059	503,977	(7.3)
Casino Total:	\$ (1,114,626)	\$ 883,120	(226.2)	\$ 1,270,065	\$ 970,084	30.9
Meadowlands	320,619	696,583	(54.0)	13,720,838	12,699,142	8.0
Monmouth Park	113,989	463,127	(75.4)	(138,862)	1,853,686	(107.5)
Freehold Raceway (b)	-	32,482	N/A	-	771,856	N/A
Racetrack Total:	\$ 434,608	\$ 1,192,192	(63.5)	\$ 13,581,976	\$ 15,324,684	(11.4)
Grand Total:	\$ (680,018)	\$ 2,075,312	(132.8)	\$ 14,852,041	\$ 16,294,768	(8.9)

Changes to DGE Quarterly Press Release and Casino Financial Reports

- **Quarterly Press Release:** Continuing its goal to improve the public's understanding of the Internet Gaming and Sports Wagering business, the DGE added certain key information in its Quarterly Press Release.
 - Effective with the 4th Quarter 2024 Quarterly Press Release posted in April 2025.
- **Casino Financial Report Footnotes:** DGE requires each casino licensee to disclose certain key information regarding their Internet Gaming and Sports Wagering operations in the footnotes supporting the Quarterly Financial Reports.

DGE Quarterly Press Release

- DGE added certain disclosures in its Quarterly Press Release to highlight the revenue aspects of Internet gaming and sports wagering.
- There is a note on page 1 stating:

“Important information regarding the Net Revenue and Gross Operating Profit recognition related to the Internet gaming and sports wagering business is contained in the footnotes of the Quarterly Financial Report. Valid comparisons cannot be made without using the information contained in the footnotes.”

DGE Quarterly Press Release

There is detailed information in the Notes section on page 2 regarding various ways casinos can utilize their skins and the revenue recognition associated with each of those arrangements.

- Internet Gaming and Sports Wagering Operations are conducted by: (1) casino licensees, (2) affiliates of casino licensees, (3) unaffiliated operators through contractual arrangements with casino licensees, and (4) joint venture arrangements. From a financial reporting standpoint, the revenue and expense reported by a Casino Licensee and included in the Net Revenue and Gross Operating Profit statistics herein depends on the type of arrangement, which is summarized below:
 - Casino Licensee Operations: A Casino Licensee reports 100% of the Net Revenue and Gross Operating Profit on its Income Statement.
 - Affiliated or Unaffiliated Operations: A Casino Licensee reports Net Revenue and Gross Operating Profit on its Income Statement based upon the distributions received from affiliated or unaffiliated operations, not the revenue or income associated with the online operation.
 - Joint Venture Operations: The Casino Licensee does not report any Net Revenue and Gross Operating Profit on its Income Statement. Instead, all of the Net Revenue and Gross Operating Profit is reported on the joint venture's Income Statement.

The sports wagering operations at racetracks are not included in the statistical data herein.

Quarterly Report Footnotes

The DGE requires each casino licensee to disclose the following regarding their Internet Gaming and Sports Wagering Skins in the footnotes supporting the Quarterly Financial Reports:

- The number of Internet gaming and sports wagering skins in use.
- A brief description of each skin, including: (1) the date the skin commenced operation, (2) whether the skin operates Internet gaming, sports wagering, or both and (3) name of affiliate, owner, or operator of each skin.
- The revenue and expense recognition associated with each skin, such as whether: (1) the casino licensee reports all revenue and expenses, (2) there is a revenue sharing or contractual fee arrangement, or (3) there is no payment.

Quarterly Report Footnotes

Bally's Third-Party Skin Example: PointsBet/Fanatics

PointsBet / Fanatics:

The Company entered into an Amended and Restated Online Gaming Agreement with PointsBet New Jersey LLC (“PointsBet”) on March 8, 2024, which amends the original Online Gaming Agreement dated August 5, 2020 mentioned in the Online Casino section below. After Fanatics Betting and Gaming purchased the PointsBet NA assets including PointsBet NJ, the Amended and Restated agreement allows Fanatics Betting and Gaming to operate an online sportsbook skin under the Company’s license. The primary branding of the sportsbook skin Fanatics. Fanatics Betting and Gaming will operate the platform, maintain the required bank account and pay an annual fee to the Company. The annual fee is reported in Other Revenue in the accompanying income statements. There were no expenses recorded for this skin.

Quarterly Report Footnotes

- The DGE also requires casinos to have a standard table in their footnotes for ease of reference and improved consistency and comparability.
- Bally's (Premier Entertainment AC, LLC) Example:

Skin	Affiliate/Owner/Operator of Skin	Operation Commencement Date (1)	Internet Gaming or Sports Wagering	Premier Revenue Recognition
SportTrade	Sporttrade	9/8/2022	Sports Wagering	Contractual Payments
Fanatics	PointsBet	5/8/2024	Both	Contractual Payments
Bally Bet	Bally's Casino	11/6/2024	Both	100% of Revenue
Monopoly	Bally's Corporation	11/6/2024	Internet Gaming	None

- Bally's has: 1 Casino Skin where it recognizes all revenue and expenses; 1 Affiliate Skin where it receives no payment; and 2 Third-Party Skins that pay Bally's a market access fee (Contractual Payments).

Borgata Footnotes

Internet Gaming and Sports Wagering

The Company holds an internet gaming permit and sports wagering license in New Jersey for the use of placing wagers online and sports wagers at Borgata. The internet gaming and sports wagering for the skins discussed below, including Borgata's retail sports wagering lounge, is operated by a venture owned 50% by MGM Resorts, BetMGM, LLC ("BetMGM") pursuant to an arrangement whereby BetMGM operates the lounge and receives 100% of the net economics generated and reimburses the Company for costs incurred. As the Company is considered an agent under ASC 606, the revenues and expenses generated under the service arrangement are recorded "net" by the Company, in which the expenses incurred are recorded as contra revenue. As BetMGM is entitled to 100% of the net economics generated, this results in the Company recording no net revenues and no expenses relating to the retail sports wagering lounge and internet gaming and sports wagering skins, which are described below. The Company is reimbursed by BetMGM for costs that the Company incurs relating to the service arrangement, which are reflected gross within the income statement within "Other Revenue" and "General, Administrative, and Other." See Note 10 for the reimbursed costs incurred for the year ended December 31, 2024.

Borgata Footnotes

The below table provides a brief summary of the five internet gaming skins and two sports wagering skins in use as of December 31, 2024:

Skin	Affiliate/ Owner/Operator of Skin	Operation Commencement Date	Internet Gaming or Sports Wagering	MDDC Revenue Recognition
Borgata	BetMGM	11/2013	Both	None
BetMGM	BetMGM	07/2018	Both	None
Party Poker	BetMGM	11/2013	Internet gaming	None
Pala/Stardust	BetMGM	11/2014	Internet gaming	None
Wheel of Fortune	BetMGM	02/2023	Internet gaming	None

BetMGM operates the Borgata, BetMGM, Party Poker, and Wheel of Fortune skins. BetMGM has a license agreement for the Pala/Stardust skin and receives contractual market access payments.

Borgata/BetMGM Summary

- Borgata's retail sportsbook and all of its online skins are operated through BetMGM.
- Borgata reports no revenue, expenses or GOP associated with Internet gaming or sports wagering.
- BetMGM utilizes all five of Borgata's Internet gaming skins.
 - BetMGM operates the Borgata, BetMGM, Party Poker, and Wheel of Fortune skins.
 - The Pala/Stardust skin is a Third-Party Skin whereby BetMGM receives contractual market access payments.
- BetMGM utilizes two of the three online sports wagering skins.
 - BetMGM operates the Borgata and BetMGM skins.

Topic 4: Proportion of Gross Revenues Reported by Each Business Arrangement

Evaluating Gross Revenue

- Once we classify each skin arrangement as a Casino Skin, Affiliate Skin, Third-Party Skin, or Joint Venture Skin, we can evaluate how the proportion of revenues has shifted among each category over the years.
- Since the revenue shift has implications on the PILOT (discussed later), we focused on three years in this presentation:
 - 2016: Year the PILOT commenced and low online gaming revenues.
 - 2021: Year the PILOT was amended and high online gaming revenues.
 - 2024: Most current full year with record online gaming revenues.

2016 to 2021

- Internet gaming gross revenue increased by \$1.17 billion, or nearly 600%, between 2016 and 2021, from \$197 million to \$1.367 billion, respectively, with the bulk of that growth occurring in 2020 and 2021 during the COVID-19 pandemic.
- Online sports wagering gross revenues did not exist in 2016 and was \$740 million in 2021.
- Combined, gross revenue from Internet gaming and online sports wagering grew more than ten-fold over the five-year period, from \$197 million in 2016 to \$2.107 billion for 2021.
- The proportion of revenues from each type of skin arrangement has changed significantly as well.

2016 to 2021

**Total Internet Gaming and
Online Sports Wagering Gross Revenue
For the Years ended December 31, 2016 and 2021
(\$ in Millions)**

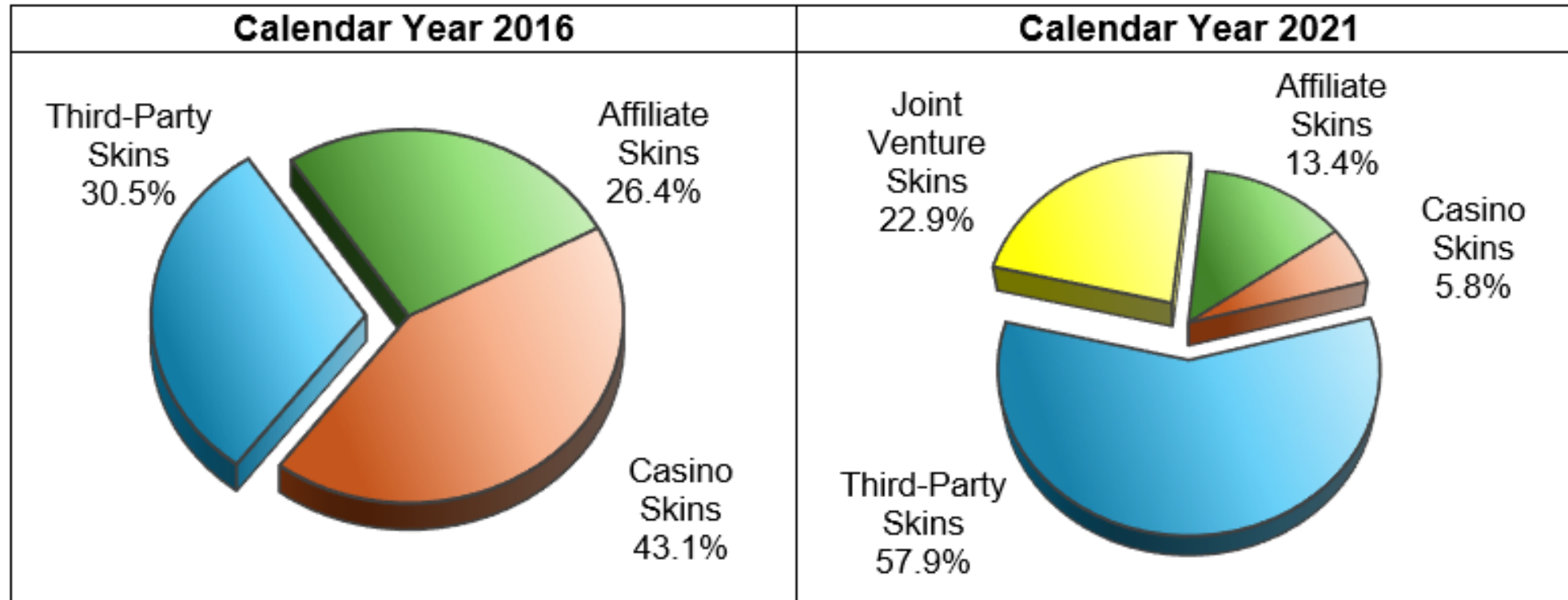
	2016	2021
Third-Party Skins	\$ 60	\$1,220
Joint Venture Skins	-	481
Affiliate Skins	52	283
Casino Skins	85	123
Total	<u>\$197</u>	<u>\$2,107</u>

What are the key drivers of online revenue growth and how have they changed the proportion of revenues from each type of arrangement?

Impact of the “Big Three”

- FanDuel, DraftKings, and BetMGM were not operating in 2016. For 2021, however, they were the three highest Internet gaming and sports wagering revenue producers by a wide margin:
 - FanDuel reported gross revenues of \$557 million
 - BetMGM's three brands reported gross revenues of \$482 million
 - DraftKings reported gross revenues of \$370 million
 - Next highest skin reported gross revenues of \$105 million (Golden Nugget)
- Combined online gaming revenues were \$1.409 billion for 2021, reflecting nearly 74% of the growth in revenues during that timeframe.
- The Big Three also changed the proportion of revenues from each type of skin arrangement.

**Total Internet Gaming Win and Online Sports Wagering Gross Revenue
by Type of Business Arrangement
For the Years ended December 31, 2016 and 2021**



Key Points:

- In 2016, almost 70% of gross revenue was generated by Casino Skins and Affiliate Skins, while around 30% was generated by Third-Party Skins. There were no Joint Venture Skins in 2016.
- In 2021, only 19% of gross revenue was generated by Casino Skins and Affiliate Skins, while around 81% came from Third-Party Skins and Joint Venture Skins.

2016 to 2021 Summary

- Between 2016 and 2021, the Internet gaming and sports wagering landscape changed drastically.
- Gross revenue from Internet gaming and online sports wagering grew more than ten-fold over the five-year period, to \$2.107 billion for 2021.
- The proportion of revenues from each type of skin arrangement shifted from Casino/Affiliate Skins to Third-Party/Joint Venture Skins.
- Gross revenue growth and the changes in the distribution of revenues largely reflected the impact of the Big Three: FanDuel, DraftKings, and BetMGM.
 - Implications for the PILOT, which is discussed in the next section.

2021 to 2024

- Internet gaming and sports wagering gross revenues increased on a combined basis and the composition of those revenues continued to change.
- The market leaders, FanDuel, DraftKings, and BetMGM, continued to grow their revenue base and dominate the market.
 - More operators entered the market.
- Golden Nugget and Resorts sold their online operations to Third-Party operators, and thus, former Casino/Affiliate Skins became Third-Party Skins.
- Consequently, the market dominance by Third-Party Skins has expanded and the market share held by Casino and Affiliate Skins has further declined.

**Total Internet Gaming Win and
Online Sports Wagering Gross Revenue
For the Years ended December 31, 2021 and 2024
(\$ in Millions)**

	2021	2024
<u>Gross Revenue:</u>		
Third-Party Skins	\$1,220	\$2,356
Joint Venture Skins	481	617
Affiliate Skins	283	385
Casino Skins	123	90
Total	<u>\$2,107</u>	<u>\$3,448</u>
<u>Percentage Breakdown:</u>		
Third-Party Skins	57.9%	68.3%
Joint Venture Skins	22.9%	17.9%
Affiliate Skins	13.4%	11.2%
Casino Skins	5.8%	2.6%
Total	<u>100.0%</u>	<u>100.0%</u>

Key Points:

- Gross revenue from Internet gaming and sports wagering grew by \$1.341 billion, or 64%, over the three-year period, from \$2.107 billion in 2021 to \$3.448 billion in 2024.
- The bulk of that growth was generated by Third-Party Skins such as FanDuel and DraftKings, as well as BetMGM.
- Third-Party Skins now represent over 68% of gross revenue, versus 58% in 2021.
- Joint Venture Skins and Affiliate Skins now reflect around 18% and 11% of the market, respectively, down from around 23% and 13% in 2021, respectively.
- Casino Skins now reflect less than 3% of gross revenues based upon 2024 data, less than half of that reported in 2021.

Impact of the “Big Three”

- FanDuel, DraftKings, and BetMGM were once again the primary drivers of revenue growth between 2021 and 2024 and further distanced themselves from the competition. Online gross revenue:
 - FanDuel: \$966 million for 2024 vs. \$557 million for 2021
 - DraftKings: \$804 million for 2024 vs. \$370 million for 2021
 - BetMGM: \$618 million for 2024 vs. \$482 million for 2021
 - 4th Highest Skin: \$185 million for 2024 (Caesars Palace and Sportsbook)
 - Highest Casino: \$738 million for 2024 by Borgata
- Overall, the Big Three reported online revenues of \$2.388 billion for 2024, a \$979 million increase from the \$1.409 billion in 2021.
 - Reflects 73% of the growth in gross revenues during that timeframe.

Topic 5: Implications for the Atlantic City PILOT

Overview of Original PILOT

- Pursuant to the Casino Property Tax Stabilization Act, N.J.S.A. 52:27BBBB-18, et seq (Original PILOT), which became effective in mid-2016, three revenue streams were created to support Atlantic City:
 1. A payment in lieu of real estate taxes, or PILOT, that started in 2017 in the amount of \$120 million.
 2. A redirection of the Investment Alternative Tax payments (IATs) to fund Atlantic City debt service.
 3. A separate state payment that started at \$30 million per year and was gradually reduced to \$5 million per year.

PILOT Component

- For 2017, casinos were required to fund a PILOT starting at \$120 million, with subsequent PILOT payments based on gross gaming revenue, or GGR.
- Prior to sports wagering in mid-2018, GGR consisted of Casino Gross Revenue and Internet Gaming Gross Revenue.
- When sports wagering commenced operation, GGR consisted of Casino Gross Revenue, Internet Gaming Gross Revenue, and Sports Wagering Gross Revenue from casinos from mid-2018 through 2021.
 - Racetrack Sports Wagering Gross Revenue is not included in GGR.

PILOT Payment Issues

Two key issues emerged during the 2017 through 2021 timeframe:

Issue 1: Total PILOT Payments were based in part on revenues casinos did not receive.

- Industry PILOT Payments were based on GGR, which included all Internet gaming and sports wagering gross revenues. By 2021, however, around 75% of the online gross revenues came from Third-Party/Joint Venture Skins, not Casino Skins/Affiliate Skins.

Issue 2: Individual PILOT payments were based on gross revenues for every skin operating under their license, including Third-Party Skins.

- Resorts' PILOT payment was based upon DraftKings' revenue.

Issue 1: GGR and Base PILOT Amount

- Internet gaming was a relatively small market when the PILOT became effective in 2016 and around 70% of those revenues were derived from Casino Skins and Affiliate Skins created specifically for New Jersey operations.
 - Land-Based GGR: \$2.279 billion for 2016 (92% of Total GGR)
 - Internet Gaming GGR: \$197 million for 2016 (8% of Total GGR)
- Sports wagering commenced in mid-2018.
- Due primarily to the growth in Internet gaming and sports wagering revenue, the gross PILOT amounts increased significantly.

Issue 1: GGR and Base PILOT Amount

PILOT Year	Prior Year GGR (\$ in Millions)				PILOT Tier	Base PILOT Amount
	Casino	Internet Gaming	Sports Wagering	Total		
2017	\$ 2,279	\$ 197	-	\$ 2,476	N/A	\$ 120
2018	\$ 2,413	\$ 246	-	\$ 2,659	\$2.6-\$3.0 billion	\$ 130
2019	\$ 2,510	\$ 300	\$ 50	\$ 2,860	\$2.6-\$3.0 billion	\$ 130
2020	\$ 2,687	\$ 483	\$ 123	\$ 3,293	\$3.0-\$3.4 billion	\$ 150
2021	\$ 1,512	\$ 972	\$ 166	\$ 2,650	\$2.6-\$3.0 billion	\$ 130
2022	\$ 2,556	\$ 1,368	\$ 305	\$ 4,229	Above \$3.4 billion	\$ 165

2022 Added for illustrative purposes only. PILOT amendment changed the GGR formula for 2022.

Issue 2: Individual PILOT Payments

- The Base PILOT Payment was set to increase by \$35 million, from \$130 million for 2021 to \$165 million for 2022.
- The impact of the PILOT increase would disproportionately impact the casinos who were partnered with the stronger Third-Party operators. For the two smallest casinos:
 - Resorts' GGR would continue to include the Internet gaming and sports wagering revenues of DraftKings, and primarily as a result, its PILOT payment would increase 360% for 2022.
 - Golden Nugget's GGR would continue to include the Internet gaming revenues of FanDuel, and primarily as a result, its PILOT Payment would increase 174% for 2022.
 - Note: FanDuel's sports wagering partner is Meadowlands Racetrack

Issue 2: Individual PILOT Payments

Resorts Gaming Revenue
For the Seven Months ended July 31, 2025
(\$ in Thousands)

	Resorts in Former DGE Press Release	Current DGE Press Release		
		Reported by Resorts	Reported by Third Party	Total
Casino Win	\$ 93,399	\$ 93,399		\$ 93,399
Internet Gaming Win:				
DraftKings			323,904	323,904
ESPN Bet			18,307	18,307
Resorts			13,305	13,305
PokerStars			7,887	7,887
Mohegan Sun			6,727	6,727
Total Internet Gaming	370,130	-	370,130	370,130
Sports Wagering Gross Revenue:				
Resorts Sports Wagering Lounge		108		108
DraftKings (Online)			171,905	171,905
ESPN Bet (Online)			18,709	18,709
Total Sports Wagering	190,722	108	190,614	190,722
Total Gaming Revenue	\$ 654,251	\$ 93,507	\$ 560,744	\$ 654,251
Percentage of Revenue		14.3%	85.7%	100.0%

Resorts Example – Revisited:

- Here is the table we reviewed previously highlighting Resorts' 14.3% share of Total Gaming Revenue, while Third-Party online operators had an 85.7% share.
- Under the original PILOT formula, Resorts' PILOT payment would be based on all of this revenue - \$654.3 million - even though 85.7% of the revenue is from Third-Parties.
- Key Question:
Should Resorts' PILOT payment be based on \$654.3 million in revenue, or only the \$93.5 million the property actually generated?

Key Issue for Legislature

- Since the PILOT was intended to be a replacement for real estate taxes paid by casinos physically located in Atlantic City, the Legislature needed to determine whether it would be appropriate to continue including Internet gaming and sports wagering gross revenues in the GGR calculations under the Amended PILOT, and if so, to what extent.
- Focusing solely on the casinos, the following slide highlights the shift in the percentage of revenues from Casinos and Affiliates to Third Parties and the BetMGM Joint Venture between 2016 and 2021.
 - Note: Data differs from the previous table, since it excludes Sports Wagering Gross Revenues from racetracks and their Third-Party Skins.

**Casino Only Internet Gaming Win and
Online Sports Wagering Gross Revenue
For the Years ended December 31, 2016 and 2021
(\$ in Millions)**

	2016	2021	Change
<u>Gross Revenue:</u>			
Third-Party Skins	\$ 60	\$ 767	\$ 707
Joint Venture Skins	-	482	482
Affiliate Skins	52	283	231
Casino Skins	85	123	38
Total	<u>\$197</u>	<u>\$1,655</u>	<u>\$1,458</u>
<u>Percentage Breakdown:</u>			
Third-Party Skins	30.5%	46.4%	15.9%
Joint Venture Skins	-	29.1%	29.1%
Affiliate Skins	26.4%	17.1%	(9.3%)
Casino Skins	43.1%	7.4%	(35.7%)
Total	<u>100.0%</u>	<u>100.0%</u>	<u>0.0%</u>

Key Points:

- Gross revenue from Internet gaming and sports wagering grew by \$1.458 billion, or 740%, over the five-year period, from \$197 million in 2016 to \$1,655 billion in 2021.
- 73% of that growth was generated by entities that did not exist in 2016:
 - BetMGM: \$482 million
 - DraftKings: \$370 million
 - FanDuel (Internet): \$206 million
- Third-Party Skins represented over 46% of gross revenue in 2021, versus approximately 31% in 2016.
- The BetMGM Joint Venture Skins reflected around 29% of gross revenue in 2021.
- Affiliate Skins and Casino Skins represented around 17% and 7% of the market for 2021, respectively, down from around 26% and 43% in 2016.

Note: Data excludes Sports Wagering Gross Revenues from Racetracks and their Third-Party Skins. 62

GGR in the Amended PILOT

- In the Amended PILOT, the Legislature addressed the preceding issue by excluding all Internet gaming and online sports wagering gross revenues from the definition of GGR for 2022 through 2026.
- Therefore, GGR for PILOT purposes was defined statutorily under the Amended PILOT as land-based casino gross revenue plus retail sports wagering gross revenue – i.e., all land-based gross revenues.
- The exclusion of online revenues from GGR was a key area of focus in the litigation brought by Liberty and Prosperity 1776, Inc. (L&P), which sought a determination that the Amended PILOT was unconstitutional.
 - While L&P was successful in Superior Court in October 2022, that ruling was reversed by the Appellate Division in October 2024.

Topic 6: Understanding the Revenue Mix of an Atlantic City Casino in 2025

Net Revenue Analysis

- Prior to 2013, the casino industry was simple to analyze, as the entire revenue stream came from operating a brick-and-mortar casino.
 - Gross Revenue reported on the monthly tax returns could be reconciled with Casino Revenue on the quarterly income statements
- Subsequently, three major events made the analysis of both gross revenues for tax purposes and net revenues (or “Cash Revenues”) on the income statement extremely challenging;
 1. 2013: Internet gaming started
 2. 2018: Sports wagering started
 3. 2019: New Jersey casinos adopted Accounting Standards Codification Topic 606: Revenue from Contracts with Customers (ASC 606).

Internet Gaming and Sports Wagering

- As previously discussed, a large revenue stream for Internet gaming and sports wagering is generated by Third Parties, Affiliates, and Joint Ventures, not the Casinos.
- Gross revenues can be easily tracked to individual skins, and the new DGE Monthly Press Release format provides that information.
- How the Internet gaming and sports wagering business impacts casino profitability depends on the type of business arrangement.

Revenue Recognition

- **Casino Skins:** The Casino Licensee reports 100% of the net revenue, expenses and GOP on its Income Statement.
 - There are only two Casino Skins as of July 31, 2025
- **Affiliated Skins and Third-Party Skins:** A Casino Licensee's net revenue reflects only the distributions received from the Affiliate or Third Party.
 - There may be no distributions to a casino for Affiliate Skins
- **Joint Venture Skins:** Borgata does not report any net revenue on its Income Statement.

Revenue From Third-Party Skins

- The contracts between casinos and Third-Party operators specify how the market access payment is calculated.
- Those contracts have many different payment calculations that are not based on gross revenue as reported to the DGE in the monthly filings.
- The agreements may also contain minimum payments, maximum payments, tiered distribution percentages, and/or upfront payments.
- All of these factor into what a casino reports as net revenue.
- Third-Party contracts are proprietary information and are confidential.
 - The Quarterly Financial Reports identify which casinos have revenue from Internet gaming and sports wagering, but the amount of revenue is not publicly disclosed.

ASC 606

- There are four revenue categories on the DGE Income Statement:
 1. Casino Revenue
 2. Rooms Revenue
 3. Food & Beverage Revenue
 4. Other Revenue (Entertainment/Retail/Other)
- Before ASC 606, the presentation of revenues was relatively clear:
 - Each revenue category was reported on a “gross” basis.
 - Promotional Allowances, or “Comps”, were deducted in total.
 - Net Revenue was effectively synonymous with “Cash Revenue”.
- Since promotional allowances are publicly available through the DGE’s Schedule of Promotional Expenses and Allowances (DGE-245), users could “convert” each revenue category into Cash Revenue.

What did ASC 606 Change?

ASC 606 completely revised revenue reporting for the casino industry.

- All Promotional Allowances are now incorporated into the Casino Revenue line only, including those associated with non-gaming revenue sources.
 - For example, a comped room valued at \$200 is included in Rooms Revenue, with \$200 deducted from Casino Revenue.
 - The underlying accounting premise is that the room was given in exchange for gaming, so the Comp should be a reduction to Casino Revenue and remain included in Rooms Revenue.
- Promotional Allowances and Total Revenue lines were eliminated.
 - The four revenue sources now add up to Net Revenue.

Before and After ASC 606

Atlantic City Casino Industry
Net Revenue Analysis
For the Year Ended December 31, 2006
(\$ in Millions)

Casino Gross Revenue Per Tax Returns:	<u><u>\$ 5,218</u></u>
Net Revenue Per Income Statements:	
Casino Revenue	\$ 5,167
Rooms Revenue	496
Food and Beverage Revenue	672
Other Revenue	<u>194</u>
Total Revenue	6,529
Less: Promotional Allowances	<u>(1,461)</u>
Net Revenue	<u><u>\$ 5,068</u></u>

Atlantic City Casino Industry
Net Revenue Analysis
For the Year Ended December 31, 2024
(\$ in Millions)

Gaming Gross Revenue Per Tax Returns:	
Casino Win	\$ 2,817
Internet Gaming Win	2,387
Sports Wagering Gross Revenue	<u>1,095</u>
Total Gross Revenue	<u><u>\$ 6,299</u></u>
Net Revenue Per Income Statements:	
Casino Revenue	\$ 1,593
Rooms Revenue	717
Food and Beverage Revenue	574
Other Revenue	<u>346</u>
Net Revenue	<u><u>\$ 3,230</u></u>

Net Revenue Before ASC 606

Atlantic City Casino Industry
Net Revenue Analysis
For the Year Ended December 31, 2006
(\$ in Millions)

Casino Gross Revenue Per Tax Returns: \$ 5,218

Net Revenue Per Income Statements:

Casino Revenue	\$ 5,167
Rooms Revenue	496
Food and Beverage Revenue	672
Other Revenue	<u>194</u>
Total Revenue	6,529
Less: Promotional Allowances	<u>(1,461)</u>
Net Revenue	<u>\$ 5,068</u>

Key Points:

- Gross Revenue on tax returns essentially matches Casino Revenue on the Income Statement.
- All revenue categories on the Income Statement are reported “gross”, with Promotional Allowances deducted from Total Revenue.
- By using the DGE-245, we can convert the gross basis revenue amounts into Net Revenue from each revenue source.
 - \$1.461 billion in Promotional allowances will be deducted against each revenue source.

Atlantic City Casino Industry
Net Revenue Analysis
For the Year Ended December 31, 2006
(\$ in Millions)

	Total Revenue	Promotional Allowances	Net Revenue	% of Net Revenue
Casino Revenue	\$ 5,167	\$ (641)	\$ 4,526	89.3%
Rooms Revenue	496	(329)	167	3.3%
Food and Beverage Revenue	672	(437)	235	4.6%
Other Revenue	194	(54)	140	2.8%
Total Revenue	6,529	<u>\$ (1,461)</u>	<u>\$ 5,068</u>	<u>100.0%</u>
Less: Promotional Allowances	(1,461)			
Net Revenue	<u>\$ 5,068</u>			

Key Points for 2006:

- Total Revenue: Promotional Allowances make up 66% of the Total Rooms Revenue and 65% of the Total Food and Beverage Revenue. Accordingly, using Total Revenue to calculate the proportion of revenues is of limited value from an analytical standpoint.
- Focusing on Net Revenue or “Cash Revenue”, Casino Revenue represented over 89% of all revenues, with only 11% derived from all other sources combined.

Reporting Changes After ASC 606

- ASC 606 distorts the cash revenue picture.
 - Most customers are paying cash to gamble. They are not paying cash for rooms, food and beverage, and other revenues such as retail and entertainment.
 - Yet, the value of a free room is now included in Rooms Revenue, with the same amount deducted from Casino Revenue.
- Therefore, the analysis of Cash Revenues requires a more complicated reconciliation of Promotional Allowances to convert the new revenue reporting under ASC 606 into a Cash Basis presentation.
 - Fortunately, we can still use the DGE-245 to make the conversion.

Reporting Changes After ASC 606

Atlantic City Casino Industry
Net Revenue Analysis
For the Year Ended December 31, 2024
(\$ in Millions)

Gaming Gross Revenue Per Tax Returns:

Casino Win	\$ 2,817
Internet Gaming Win	2,387
Sports Wagering Gross Revenue	1,095
Total Gross Revenue	<u>\$ 6,299</u>

Net Revenue Per Income Statements:

Casino Revenue	\$ 1,593
Rooms Revenue	717
Food and Beverage Revenue	574
Other Revenue	346
Net Revenue	<u>\$ 3,230</u>

Key Points:

- Casino Revenue on the Income Statement is now only 25% of the Gross Revenue on the tax returns. Primary causes consist of:
 - Internet gaming and sports wagering gross revenue from Third Parties, Affiliates, and the BetMGM Joint Venture.
 - Deducting non-gaming Promotional Allowances from Casino Revenue.
- Users can calculate the percentage of each category to Net Revenue, but this has limited value at best.
 - The accounting treatment of Comps should be factored into the analysis.

Atlantic City Casino Industry
Net Revenue Analysis
For the Year Ended December 31, 2024
(\$ in Millions)

	<u>Net Revenue</u>	<u>Promotional Allowances</u>	<u>Cash Revenue</u>
Casino Revenue (a)	\$ 1,593	\$ 811	\$ 2,404
Rooms Revenue	717	(453)	264
Food and Beverage Revenue	574	(259)	315
Other Revenue (a)	346	(99)	247
Total Revenue	<u>\$ 3,230</u>	<u>\$ -</u>	<u>\$ 3,230</u>
	<u>% of Net Revenue</u>		<u>% of Cash Revenue</u>
Casino Revenue (a)	49.3%		74.4%
Rooms Revenue	22.2%		8.2%
Food and Beverage Revenue	17.8%		9.8%
Other Revenue (a)	10.7%		7.6%
Total Revenue	<u>100.0%</u>		<u>100.0%</u>

(a) Includes all net revenues received by casinos from Internet gaming and sports wagering.

Key Points:

- \$811 million in non-gaming Promotional Allowances are: (1) deducted from casino revenue and (2) included in the other revenue categories.
- When we convert the Net Revenue into a Cash Basis, the percentages change significantly.
- For 2024, an estimated 26% of Cash Revenue comes from non-gaming sources, though this data includes Internet gaming and sports wagering revenues received by the casinos in the "Other" category.
- There are industry reports that use the Net Revenue data percentages and draw conclusions from it. Users should understand the limitations associated with that data.

Cash Revenue Trends

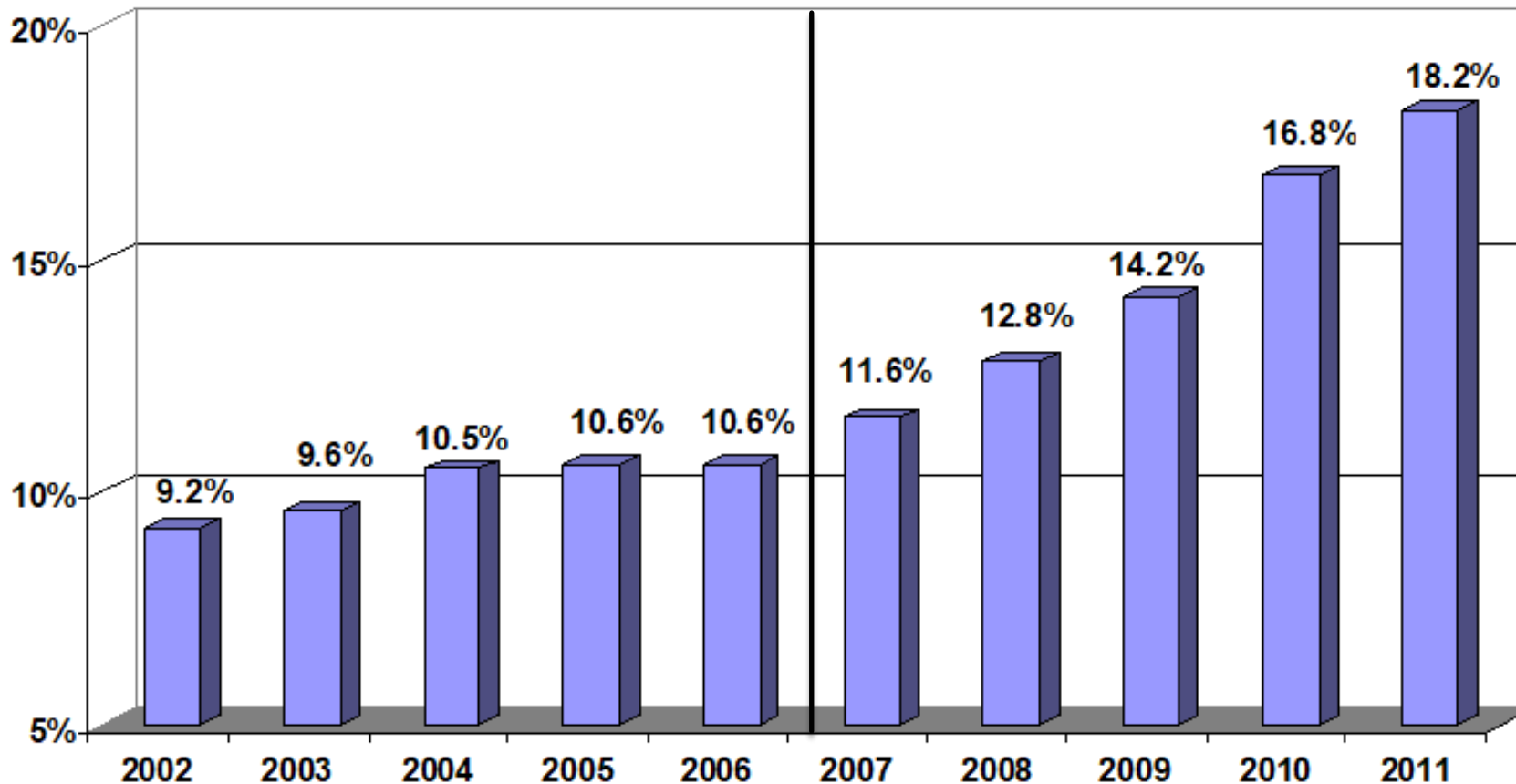
- In the early years, Atlantic City casinos focused primarily on generating Casino Revenue, with other sources of revenue largely given away as Comps.
- Thus, the amount of cash revenue generated from non-gaming sources has always been relatively low compared to gaming revenue.
- Prior to the mid-2003 opening of Borgata, less than 10% of the industry's revenue mix was derived from non-gaming sources, with in excess of 90% of revenues coming from Casino Revenue.

Cash Revenue Trends

- Subsequently, steps were taken to increase cash revenues ...
 - Borgata opened in mid-2003, with a focus on a younger and more affluent demographic willing to pay cash for non-casino amenities.
 - Tropicana opened a 502-room hotel tower and The Quarter in 2004.
 - Other casinos added new non-gaming amenities.
- ... but even at the 2006 revenue peak of the industry, the percentage of revenue from non-gaming sources remained low.
 - 9.2% in 2002
 - 10.6% in 2006
- What happened after 2006?

Cash Revenue Trends

ATLANTIC CITY CASINO INDUSTRY NET REVENUE CONTRIBUTION FROM NON-GAMING SOURCES FOR THE TEN YEARS ENDED DECEMBER 31, 2011



Key Points:

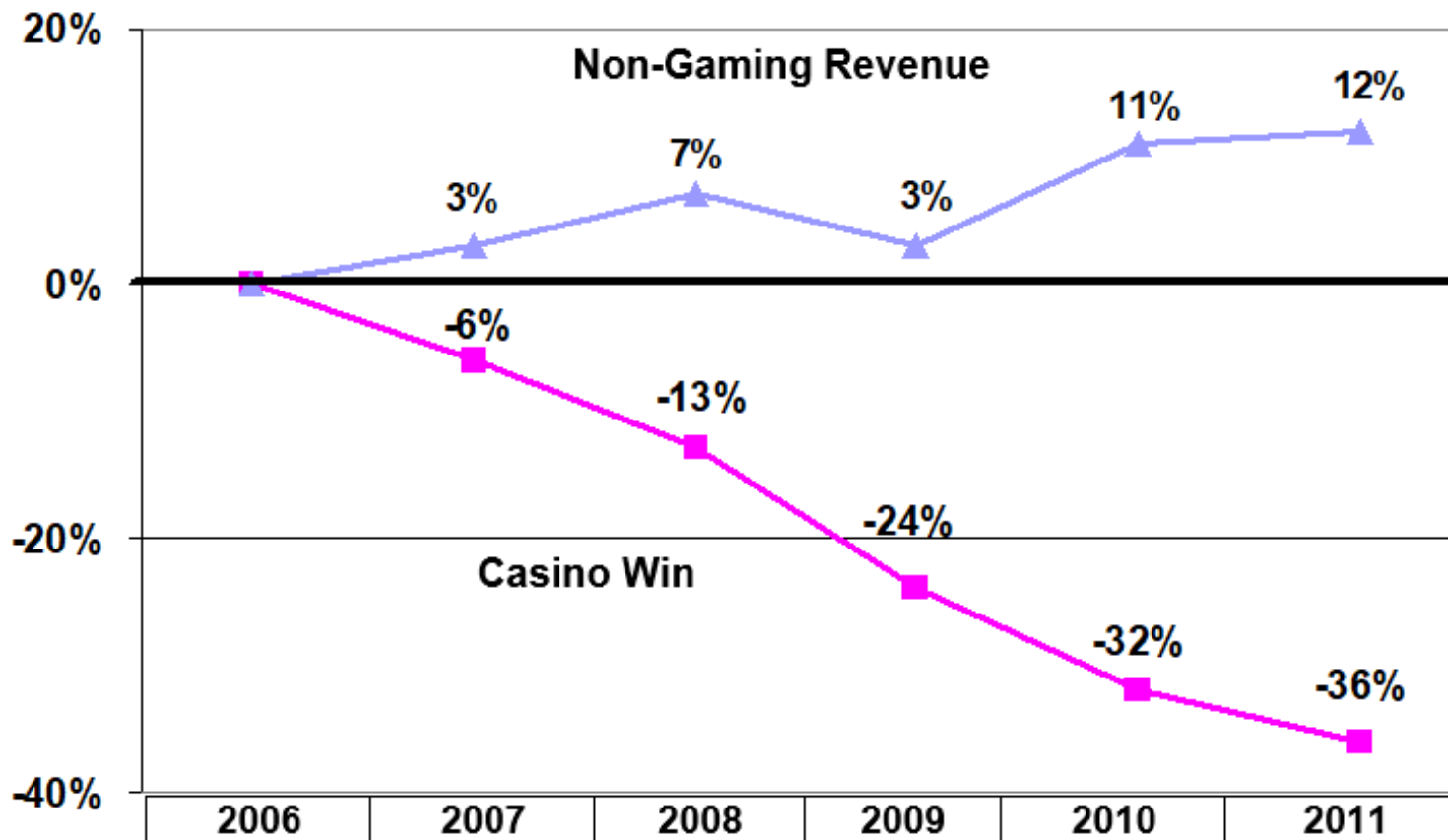
- 2002 to 2006: Minor change to the revenue contribution from non-gaming sources.
- 2007 to 2011: Fairly consistent growth in the proportion of revenue from non-gaming sources.
- Is this trend the result of strong non-gaming revenue growth, or some other factor?

Impact of Regional Competition

- Given the focus on casino revenue, non-gaming revenues did not comprise a large percentage of the net revenue mix through 2006.
- With very little regional competition, the gaming-centric strategy made sense. However, when regional competition intensified after 2006, the Atlantic City market was particularly vulnerable to severe revenue declines due to its reliance on gaming revenues.
- The impact of regional competition also had significant implications for evaluating Cash Revenues after 2006.
 - Non-gaming revenues were 10.6% of net revenue in 2006.
 - Non-gaming revenues were 18.2% of net revenue in 2011.
 - Does this reflect a renewed focus on non-gaming revenues?

Impact of Regional Competition

ATLANTIC CITY CASINO INDUSTRY
CUMULATIVE PERCENTAGE CHANGE IN CASINO WIN
AND NET REVENUE FROM NON-GAMING SOURCES
FOR THE FIVE YEARS ENDED DECEMBER 31, 2011



Key Points:

- Non-gaming revenue grew by 12% over five years, or around 2.5% per year on average.
- Casino Win declined 36% over that timeframe, or around 7% per year on average.
- Hence, the growth in non-gaming revenue percentages from 10.6% in 2006 to 18.2% in 2011 did not result from a dramatic increase in non-gaming revenues. Instead, the primary factor was the precipitous decline in gaming revenues.

Non-Gaming Revenue “Phases”

- Generally speaking, there were three phases for non-gaming revenues:
 - 1978 to 2006: Casino revenue focus, with other sources of revenue largely given away as Comps.
 - Less than 11% of cash revenue from non-gaming sources
 - 2007 to 2018: Moderate increases in cash non-gaming revenue as casino revenue plummets.
 - Increase from 11% to 22% of the cash revenue from non-gaming sources.
 - 2019 to 2024: Gradual increases in cash non-gaming revenue as casino revenue remains stable or grows at low rates.
 - Increase from 22% to around 26% of the cash revenue from non-gaming sources.
 - Note: Other Revenue includes Third-Party Skin market access payments.

Non-Gaming Revenue: 2024 vs. 2006

Atlantic City Casino Industry
Cash Revenue Analysis
For the Year Ended December 31, 2024 vs. 2006
(\$ in Millions)

Cash Revenue	2006	2024	% Change
Casino Revenue (a)	\$ 4,526	\$ 2,404	-46.9%
Rooms Revenue	167	264	58.1%
Food and Beverage Revenue	235	315	34.0%
Other Revenue (a)	140	247	76.4%
Total Revenue	<u>\$ 5,068</u>	<u>\$ 3,230</u>	-36.3%

% of Cash Revenue	2006	2024	% pt. Change
Casino Revenue (a)	89.3%	74.4%	-15.0%
Rooms Revenue	3.3%	8.2%	4.9%
Food and Beverage Revenue	4.6%	9.8%	5.1%
Other Revenue (a)	2.8%	7.6%	4.9%
Total Revenue	<u>100.0%</u>	<u>100.0%</u>	0.0%

(a) 2024 includes net revenues received by casinos from Internet gaming and sports wagering.

Non-Gaming Revenue Takeaways

- Due to ASC 606, the way we calculate Cash Non-Gaming Revenue changed considerably beginning in 2019.
- Non-gaming cash revenues can still be calculated using the Income Statement and the Schedule of Promotional Expenses and Allowances (DGE-245).
- There is insufficient data in the DGE Quarterly Financial Reports to extract the net revenue from Internet gaming and sports wagering.
 - Internet Gaming and Sports Wagering profitability data is confidential.
- Thus, the proportion of Cash Non-Gaming Revenue to Cash Gaming Revenue is less precise in more recent years but remains a good estimate.

Questions

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