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Sports Betting: A Friend or Foe in the New Era of Sports and Gaming Competition?

Moderator:

Scott Finley: CEO and Managing Director of Scott Finley International Racing

Speakers:

Scott J. Daruty: Executive Vice President Content & Media, The Stronach Group

Bill Knauf: Vice President Business Operations, Monmouth Park Racetrack

Dean McKenzie: Director, New Zealand Thoroughbred Racing Inc

Sam Swanell: CEO, PointsBet

Ms. Wendy Davis: Good. Let's continue on this theme.

Let everybody get their coffee and come on back in.

Basically, the second section, second session of our sports wagering panels this morning, "Friend or Foe in the New Era of Sports and Gaming Competition".

First of all, I'd like to thank our session sponsor, which is Daily Racing Form and the Stronach Group for our beverage break.

Leading the discussion for this panel is Scott Finley. He's CEO and managing director of Scott Finley International Racing. His background is in business development, marketing, technology deployment in the horse racing and betting industries.

He's owned and managed his own international racing and betting consulting practice since 2002. This certainly makes him uniquely qualified to lead this discussion.

I know they've spent a lot of time getting all these comments put together in a logical format here.

I just mentioned to Dean he had requested that we have his PowerPoints available for you.

If you would like to take them, I will have — there will be copies of those PowerPoints in the back of the room if you'd like to get those on your way out.

With that, I'd like to turn this over to Scott Finley.

Thank you very much for organizing this really important session.

Mr. Scott Finley: Thank you, Wendy, and good morning.

The topic du jour now since May 14th and even this conference last year has been sports betting and racing.

You heard a lot of really good things over the last day and a half, especially the previous panel, about all of the issues that the industry's gonna face and how it's gonna work for racing, the whole laundry list.

Half the things I told my panelists to talk about have already been covered.

I think what we're gonna do today is focus on specifics.

We have four distinguished panelists that have been there, done that with — three of the four have been.

We're gonna take an international perspective for countries where you have a mature sports betting and racing market with fixed odds and how that's been successful, what it's done for racing.

Then we're gonna take the ground zero, the granddaddy of them all, New Jersey.

If it weren't for Dennis Drazin and Governor Christie and Ted Olson, the lawyer, none of us would be talking today about sports betting and horse racing because it never would have got to the Supreme Court, and PASPA never would have been overturned.

Monmouth has been live now and taking bets, both retail, bricks and mortar, and online, so we're gonna hear from Bill Knauf about his experience and what's happened at Monmouth.

Then we have perhaps the most important and strategic racing group in North America, the Stronach Group. Unfortunately, they don't have any racetracks in states where sports betting is legal, but they're also a very astute and well-managed organization, and they're gonna tell us a little bit about what their strategies are to go live and get sports betting going in their respective states and where that might pan out.

Just a quick thing to put in perspective.

How many people know the line on tomorrow night's, Thursday night's NFL game between Jacksonville and the Tennessee Titans?

It's minus four for the Titans, the home team.

It was minus four and a half, and it's moved to minus four.

The over-under's 37 and a half.

Probably some of you know that.

You're gonna be watching that game tomorrow night if you're not on a plane heading home.

Also, how many of you know the odds on the first two favorites in the eighth at Gulfstream today, the featured race?

Morning line, one of them is three-to-one.

Second favorite. The first favorite is number eight, Heaven's Pulpit.

It's five-to-two morning line.

You can bet those horses right now on a number of British bookmaker websites.

You could take five-to-two on the one horse.

You can take two-to-one on the eight horse, and who knows what the odds are gonna be at post time?

Fixed odds in horse racing, racing as a sport, how that's gonna implement and come together, that's a very important aspect of this whole discussion here this morning.

What we're gonna do is, I'm gonna give each speaker a few minutes to go through some relevant points about their respective jurisdiction, how sports betting has been implemented in Australia, in New Zealand, in New Jersey, and then we're gonna open it up to questions — I have some questions for each speaker — and we'll take it from there.

First person I'm gonna turn it over to is Sam Swanell.

Sam is the CEO and founder of PointsBet, which is Australia's fastest-growing sports book operator.

Sam's done just about everything you can do in horse racing or the betting business, I think except maybe ride a horse in a race.

He's worked in pari-mutuels.

He's managed a network of OTBs in Tasmania.

He's founded two different online betting companies.

He's worked for a bookmaker.

He knows just about every aspect of pari-mutuel and fixed-odds racing and how to serve customers.

The best achievement I think that Sam and his team have come up with recently is they've managed to crack into the U.S. market, and they now have the second brand, or as we call it, skin, for the Meadowlands in New Jersey.

Let me turn it over to Sam, and he'll take you through what's the market like in Australia and where it's going.

Mr. Sam Swanell: Thanks, Scott.

Before I get into the Australian angle, I'm acutely aware of the challenges and the differences between the American market and the Australian market, but I'm trying to, I suppose, present the Australian of view, somewhat ignoring those challenges that may make the — replicating what's occurred in Australia easily applicable to America, but I think you'll get the gist of the information provided regardless.

Just very quickly, PointsBet, we're a reasonably new sports book out of Australia.

Australia is an extremely competitive sports book market.

All the names that are gonna become pretty well-known over here in the coming years — Paddy Power, Betfair, Ladbrokes, bet365, et cetera — they all compete in Australia.

PointsBet's now entering America, as Scott said.

We've been very fortunate to secure a deal with Meadowlands Racetrack in New Jersey and legislation pending with New York, with Tioga Downs in New York.

We have our own in-house technology.

We specialize in American sports.

One thing that may not be well-known is that Australians are huge on American sports.

Basketball makes up 23 percent of all of our turnover.

It's bigger than our Aussie rules.

It's bigger than our rugby league.

We have a point of difference product.

We do the traditional fixed-odds sports book, but we also have a product called points betting where basically the amount you win or lose is unknown at the time you place the bet, but I won't spend too much time on that at the moment.

The Australian experience.

Historically, we had the pari-mutuel, and we had what we called on course bookmakers, so individual bookmakers standing on a racecourse, taking fixed-odds bets, a bit like the UK.

That was the market.

Both paid fees to the racing industry to fund the industry.

Online began in 1996, but really, the sports book industry really opened up in 2008.

We had a landmark case, not dissimilar to what's occurred here.

We call it the Betfair case.

What that meant was that all those international entrants that I spoke about previously entered the market, and they really started providing some competition to the pari-mutuel operators and the on-course bookmakers.

About that time, the racing industry was struggling.

Turnover was declining, prize money not necessarily moving in the right direction.

What we found was that the competition that resulted from those new entrants coming into the market with the online, with sports betting really taking off, created innovation.

That innovation, as I'm about to demonstrate, has been great for the racing industry.

Obviously, we've seen offline to online as part of that move.

We have seen a move from pari-mutuel to fixed odds, and I'll talk about why I think that's something that the industry here needs to consider.

We're now in a situation where the racing industry in Australia is truly thriving, and I'll give you a case study of around Racing Victoria, one of the states in Australia.

The Australian population is 25 million people.

Believe it or not, that small population generates 4.4 billion in revenue.

If you think that Nevada does 250 million, you can see how big a market the Australian market is.

The growth that's occurred in sports betting has definitely driven growth in race betting. Racing is the biggest sport.

We don't think of it as racing versus sport.

We think of racing being the biggest sport.

It makes up 76 percent of revenue in our industry.

The bookmakers, the sports books, we bet on racing, and we pay fees to the racing industry.

Just like the pari-mutuels pay fees to the racing industry, so does the sports book.

We bet fixed odds, and we pay a portion of our turnover in some instances and revenue in other instances to the industry, and that funding works well.

Mobile, obviously. 24/7 betting has really enabled us to attract a younger demographic, and I'll talk more about how sport comes into that. Fixed odds is lower-margin than historically the pari-mutuel, but there's more turnover.

There is a price elasticity related to betting.

If someone goes down on a Saturday afternoon to have a bet and they've got \$100.00 to spend, in most instances, they're gonna spend their \$100.00, but do they get ten bets out of that \$100.00, or do they get five bets out of that \$100.00 because of the takeout rate or the margin that's being taken from them?

The market's really thriving in Australia.

Racing Victoria's the case study I'm about to point to.

Thoroughbred races on a Saturday in Victoria has a minimum prize money of \$125,000.00 every race.

Every race, every Saturday, minimum of \$125,000.00. Just another race announced yesterday in Sydney in New South Wales, another \$7.5 million race.

There's lots of million-dollar races being announced.

Racing Victoria has \$80 million in the bank, cash in the bank now.

In 2012, they were 40 million in debt.

That's a pretty big turnaround in the financial position of one of the principal racing authorities.

That's been during the period of where sports book has thrived, bookmakers have come in and thrived, and competition has thrived in the Australian market.

This is taken from Racing Victoria's annual report. You can see some of the numbers.

This was literally released this month, taking into account the '17-'18 financial year. The year ended June 30th. They're making a surplus, \$9 million surplus, 127 million in assets, including that 80 million in cash, wagering revenue continuing to grow.

We talk in terms of revenue in Australia, not so much in terms of turnover.

Turnover is somewhat irrelevant because you could be making five percent margin or ten percent margin. We want to talk in the revenue that's being made and being contributed to the industry.

This is, I suppose, my main point. Sports books invest — it's their job to sell the racing industry. They're the ones that benefit.

We do a fantastic job of selling the product on behalf of the racing industry. We invest hundreds of millions of dollars in marketing.

The biggest provider in Australia, population of 25 million, would be spending 100 million a year on marketing and another — probably another 100 million in terms of promotions and the like. That picture there is a little picture we did.

We've got Allen Iverson, the NBA great, as a brand ambassador here in Australia, and we put him on a horse. Everyone in Australia knows Allen Iverson 'cause we're basketball mad.

That was during the recent Melbourne Cup Carnival where we were giving \$50.00 back if your horse ran second, third, fourth, or fifth.

Some races, there might only be ten runners. That's about getting people to try, have a bet on races.

The type of innovation that's occurred in Australia — we introduced odds boost. A client logs on to have a bet. They see something that's paying \$5.00. They click a little button, and there's a graphic there, and it increases their odds to \$7.00, and they think that is the greatest thing of all time.

That keeps that client coming back. If they're gonna have one bet a day, they're gonna go back to that betting provider that has odds boost. We have the fold. You can fold a bet partway through a race.

You might get one of these a day. You've had a bet. The horse has missed a start. You can fold that bet and get your money back.

Again, getting people to try racing and engaging in racing.

We do winning margins. Not just will Winks win by two lengths plus three lengths plus four lengths plus five markets head to head.

We've built a thing called late bet tolerance. We were finding that a lot of our clients like to bet in the last seconds before the jump.

As a bookmaker, it's our risk. If we want to let them get on just after the jump, that's our risk. It's not like it's hurting a pari-mutuel pool.

We've found that that has allowed a lot more revenue and a lot more betting, which benefits the industry.

We have the best marketing product tech people in the country working for Sportsbook. It's a really advanced industry to work for.

We produce great user experiences. Pari-mutuel hasn't been quite as quick to innovate and probably has contributed somewhat to the growth of fixed odds through their lack of innovation.

The opportunity, and you've probably heard this before, for sports and racing is that sport is far easier to understand. People understand their football, their basketball. Racing, a bit more complicated, obviously, with handicapping. If you can get people in on sport, you can then cross-sell them to racing.

This is where the bookmakers have had lots of success. We do huge amounts of advertising during sporting events — AFL rugby, tennis, cricket, whatever it may all be— 'cause that allows us to accumulate lots of acquisition cheaply, get people through the door on things they understand, but then we put a lot of effort into cross-selling them.

Once they're online, once they have an app downloaded, obviously, they've got a connection with you. You've got their e-mail address, and you can really work on that.

The other thing I'd point out is, it's not just about fixed odds being easy — we're advocates for fixed odds over pari-mutuel.

People like to know what they're getting when they place the bet.

People are suspicious if they put a bet on it and they're looking at the boards, it's paying three-to-one, and by the time it jumps, it's paying two-to-one.

They're thinking, hold on here. Someone's ripping them off. That's just the pari-mutuel system.

Fixed odds, they like to know what they're getting.

I also think if we're talking about simplifying things, decimal odds. What's easier to understand?

If you put a dollar down, is it easier to understand that you get \$2.50 back, or is it harder to work out what three-to-two means?

Even with the sports betting odds here, the way the odds are presented, I'd really advocate that decimal odds is by far the simplest form of representing odds.

Fifty percent plus of people who have their first bet on sport then go on to bet on racing, so it's really, really effective, this cross-sell effort that we put in.

Racing clients end up being the best clients in the world.

There's lots of content.

There's races going all the time.

These are your good clients.

Racing is higher-margin than sports margin.

You want people betting on racing.

It's in our interest to get them betting on racing, and then that benefits the racing authorities because we're paying our fees to them on the profits that we're making.

Racing clients are our best clients.

Everything needs to be presented in a single wallet, easy to use.

One of the challenges obviously here with ADWs and then sports books, will there be the ability potentially for them to be presented in one wallet?

Obviously, this cross-sell that I'm talking about can only occur if the user experience is seamless.

I've got money in my wallet.

It's \$50.00 on my account. I'm looking at the app.

There's sporting events going.

There's racing events going.

You've got to make it as easy as possible for the consumer on that app where we're promoting racing, where we're having those money-back specials to get them to try racing.

The single wallet, the user experience all has to be seamless.

My summary.

I'm summarizing things up.

Mobile obviously very important.

Once you've got them on the app, you've got it in their hands.

They're sitting at home.

They're watching sport.

They will bet.

They will bet on racing if the coverage is there, whether it's on the TV or on — being played through the phone.

If people can watch it, they'll bet on it.

Mobile gives you that dual screen approach.

I'm a big advocate for fixed odds, obviously.

I've spoken about what it's done for the Australian industry through the time where we've transitioned from being predominantly pari-mutuel to predominantly fixed odds. It's been great.

People understand it.

You can still have the pari-mutuel very much for the exotics. That's where it's best suited for, but I believe for winning place that fixed odds is very, very important.

Single wallet, I've spoken about.

Decimal odds.

In summary, from my perspective, looking at the Australian case study, I think it's very, very clear that, handled in the right way, sports betting can most definitely work in parallel with race betting and help grow the industry as it's done in Australia.

Mr. Scott Finley: Thank you, Sam.

Very good.

That's how it's been done in a market that's integrated online sports betting and racing for at least ten years.

Now we're gonna move to New Jersey where it's been less than ten months. Monmouth Park took their first sports bet on June 14th, which was actually one month to the day after the Supreme Court issued their ruling.

Bill Knauf is our next speaker. Bill is a graduate of this fine program here at the University of Arizona, yet he's been working hard at Monmouth Park for just about 20 years now.

He's done a little bit of everything — marketing, media, operations, and now he has the distinct role of pretty much overseeing and running the sports book at Monmouth Park in conjunction with their partner, which is William Hill.

Bill's gonna tell us a bit about how it's gone so far in New Jersey, particularly at Monmouth, and where things are going and where he sees racing benefiting from sports betting in New Jersey. Bill?

Mr. Bill Knauf: Thanks, Scott.

It's always a pleasure to come back here, being an alum, and this is an exciting topic to talk about.

Obviously, the last year, we've been pretty busy, and the last six months has been even busier.

Today, I'll give you a little bit of an overview of what we've done at Monmouth, how we got there, and touch on maybe some specifics about Monmouth and New Jersey that the last panel basically gave an overview on.

First, how did we get here?

As his name has been mentioned many times, Dennis Drazin was the linchpin.

He was just absolutely relentless the last five to six years. He led the case to legalize it along with Governor Christie.

In 2011 in November, New Jersey voters overwhelmingly passed the referendum. Governor Christie signed it in early 2012. It got to the court system.

It eventually got denied.

That was what's known now as Christie One.

That was our right to do sports betting under — basically saying that PASPA was unconstitutional.

In 2014 in October, Governor Christie signed a new bill, this time, basically taking a piece of the appeals court along the — along Christie One that said, if we tried to do it with — and it was not against — we were not breaking any state laws.

Essentially, doing it with no state regulation. We would be self-regulating ourselves. We could do that. He signed that bill in October.

That, of course, went to more appeals courts and for a number of years, but in 2017, in the middle of the year in the summertime, the Supreme Court said that they would hear the case.

In December, they actually heard it, and then, as you can see, delivered opinions on May 14, six to three in favor of New Jersey, and we opened our sports book on June 14th.

At Monmouth, we renovated a mutual line.

A lot of us racetracks — obviously, Monmouth, if you've been there, it's an old classic facility. We have a lot of space.

We utilized the main line and renovated that.

That was not being used for pari-mutuel wagering.

Additionally, four years earlier, William Hill, long before the case ever made it to the Supreme Court, signed on as our sports betting partner, putting a lot of faith in us and in Dennis and in New Jersey.

It formerly was a cafeteria room at the racetrack. Again, unused.

We renovated that for our William Hill sports bar.

We actually did that four years prior to ever having sports betting.

We had a lot of faith that, at some point, it was going to come to fruition.

We've got two areas.

We had the main line, and we have our sports bar.

What I'm going to show you next is, I put together a little bit of a video. It's about a minute long. It just shows a lot of different clips about Monmouth and what the main line and the sports bar looks like.

We put some cameras up during the World Cup during the summertime. We actually wanted to get some real action footage of what the World Cup was like in the sports bar. You'll see those scenes as well.

[Video Playing]

That's a little snapshot. You could see we also — one of the additions we put up was a 75-foot video board, which recently was in the past month that something was very needed to keep the bettors here and provide a great wagering environment.

The current environment.

This was touched on by the last panel.

Here are some of the specifics.

Racetracks and casinos are the only operators in New Jersey.

Each location has three skins, which has been talked about.

The skin's obviously a separate component, a website that you can — we can parse off and just sell or we can operate ourselves.

Two racetracks, Monmouth and Meadowlands.

Atlantic City casinos have seven. Ocean's, Borgata, Resorts, Golden Nugget, Harrah's, Tropicana, and Bally's.

I just laid out here where you can see each of the retail locations as well as the mobile and online and which corresponds.

For us, we have used two of our three skins right now, William Hill, which was our original one, and recently, PlaySugarHouse.com has started under — on our second skin.

Again, this was talked about in the last slide or the last panel, but some retail-online splits.

Obviously, online is larger with FanDuel and DraftKings dominating.

Monmouth and Meadowlands, Meadowlands being obviously a prime example of an unbelievable location.

If anybody knows the Meadowlands, they've always done an incredible wagering — pari-mutuel wagering handle, and sports is no different than that.

Our snapshot. As you can see, I'm gonna talk a little bit about where we're at currently retail and online.

I did want to point out — so all of these statistics, they come from the Division of Gaming Enforcement, the DGE.

They are the ones who report not only casino handle, but now report sports wagering handle and regulate us.

The way New Jersey reporting is done for sports is, the New Jersey gross revenue is calculated on the wager, and then they end up subtracting out any settled winning wagers for the day.

I just wanted to give an example.

Anytime you would see the DGE stats there, so future wagers, for example — I'll use the example, if in November, if you decided you wanted to bet the New Jersey Jets to win the Super Bowl — that was the joke of the presentation.

That would have killed it in New Jersey.

If you decided, crazy as you would be, to bet the Jets for the Super Bowl, they would calculate that future wager and tax it immediately on placing the bet.

Then, obviously, after the Super Bowl, after all of the future wagers are settled, if we have to pay out, that's where the payout would come off of that day's total, but they tax it immediately, and it's calculated immediately.

Any totals that I show you here — and if you've ever looked at a DGE report, they are all based right off of the wager.

Monmouth Park retail in October, we've got revenue of 606,981.

Our total annual revenue, so that's annual revenue from June when we started the sports book in the retail in the book is a little over six million.

That's revenue, so that's gross gaming revenue.

It is not what we would consider total handle.

The only thing then is reported is the revenue portion, what we win.

Online and mobile. We did not start our mobile until later in the game.

I believe it was end of September for William Hill.

The October revenue number for online and mobile, which we've actually — we had two skins at that point.

We had a full October of William Hill as our mobile, and then a part-month because Play Sugar has actually come onto our skin in the middle of the month, so they actually — they switched skins.

They actually switched providers because their owners actually have an NBA interest.

They were on the Golden Nugget, and the Golden Nugget's owners could not bet on NBA. It's a New Jersey law that if you have an ownership interest in a professional sports team, you're unable to wager on that sport, so they switched skins to us where they now can offer NBA.

The October revenue for online and mobile is 608 with two skins activated.

Obviously, you can see it's not gonna be anything new to anyone that mobile will be the way to go. It'll grow quickly. It already has.

Our total annual revenue, which is only 679 because we only had 70,000 for the part-time in September previous that we did.

Obviously, it's been mentioned, DraftKings and FanDuel.

DraftKings was very early, and I agree with what was said that them getting to the party early with their enormous database really did them extremely well 'cause their totals are unbelievable for online and mobile.

The pari-mutuel.

Obviously, we're a racetrack, and we will always be a racetrack.

If you're not familiar with Monmouth Park, the ownership entity, but Darby Development, who is Dennis Drazin and that's who we work for, the company, but we operate on behalf of the New Jersey Thoroughbred Horsemen's Association.

That's who has the permit for racing and sports in New Jersey, so we will always come back to racing, and we want racing to flourish and sports to be a part of that along the way.

How is the pari-mutuel handle affected from sports wagering?

We started in the middle of our live season, and if anybody does a live meet, there's a lot of factors. Weather, whatever. Promotions that drive handle.

I've tried to focus on a few specific comparisons that may give a little bit of a better snapshot of how sports actually affects horse racing.

The first one was our William Hill sports bar, which was that shot you saw of the guys jumping around on the World Cup.

Last year, in 2017, for a Saturday-Sunday, we have live racing.

It's actually a great weekend, Labor Day weekend at Monmouth.

In that room, which was only pari-mutuel racing, we did \$14,406 of our terminals.

In 2018, it was the opening of college football, and so we had a dominant sports presence, especially on the televisions in that room, but we still kept — we are integrating and keeping pari-mutuel tote machines next to all of the sports machines.

In '18, we had 39,000 bets on horse racing. It was an increase of 176 percent, which immediately told us that sports guys will bet horse racing.

The next slide also proves that.

Rather than try to take our entire simulcasting handle every day, I focused on the nighttime.

Every day, we track the handle in our facility after 5:00 p.m.

In 2017 from June 16th to November 28th, it was 2.7.

This year, it's increased 28 percent.

That is 100 percent due to sports betting crowds being in our facility at nighttime now.

We've got more action.

I think we take almost every college or every nighttime sport that we can, whether it's the Pac-12 Network or whatever it is, college football, college basketball, certainly pro football, but we bring in all the packages.

We want the customers to stay there.

It clearly shows that they are betting racing just as much — maybe not just as much, but they're certainly showing a large increase in the pari-mutuel handle.

I listed just a few advantages of a racetrack.

What do racetracks have to offer?

Obviously, we're already state-regulated, and it's been said in the previous panel, and I agree with it, that we're in a great position to take sports when states decide to legalize it.

We've got a lot of parking.

We got a lot of interior space.

Most of us are huge facilities.

We're no different.

We've got a TV room that is, for the most part, a professionally-distributed TV room that we can take a lot of channels in.

There's absolutely no bar around us that can show 60 games at once, and we can throughout the racetrack.

We're well suited for that.

A couple other crossover opportunities that we've done.

On Haskell day, we introduced a new combined sport-horse racing wager.

We did a parlay card where we had the three stakes races, two before the Haskell and the Haskell itself and the Sunday night baseball game.

You can see the handle that we did on that.

We put some new fixed-odds sports opportunities, prop bets, margin of victory, head-to-head match-ups.

That did great.

It's just getting the person to walk over, take a shot, get used to sports betting, and at the same time, hopefully the sports bettor who likes betting props may find this horse racing wager interesting.

I'm sure we will continue to do that more in the future.

Fixed odds is a big thing.

As Sam had said, we agree with it.

We've already got the New Jersey exchange right now.

We're the only state in the country that has the exchange, but we want to do more through the sports book on fixed odds, future wagers, head to heads, and certainly, the combination of multi-race wagers.

We think it'd be a fun bet to take the Santa Anita Derby or the Florida Derby and parlay them with whatever basketball or football's going at that time.

Make a bet at it.

Do a deal with the corresponding racetracks around the country.

That's it.

I appreciate it.

Thank you very much.

Mr. Scott Finley: Thank you, Bill.

You're gonna have to ask Scott Daruty at the end if Stronach Group will let you bet on the Santa Anita Derby and the Florida Derby.

That's what we're here to learn from each other.

Anyway, that was great.

Thank you.

It's really encouraging to see how well Monmouth has done in a relatively short period of time.

The Meadowlands, they've been even more successful with their bricks and mortar, and their harness racing season didn't really kick into full swing and actually doesn't kick into full swing.

They're racing now, but come January, they'll be racing a lot more actively.

Anyway, so you've seen an example from Australia, which is a betting-mad country.

For any of you who were in one of the presentations yesterday, you saw that the average loss per capita in Australia is about ten times more than any other country in the world, even more than that in Finland.

We also have another very interesting country in that same part of the world, New Zealand.

Dean McKenzie's gonna tell us about how racing and sports betting and fixed odds have survived and thrived in New Zealand.

Dean's been heavily involved in many, many aspects of the New Zealand racing industry for many, many years since the mid-1990s. He's managed two of the major tracks in New Zealand.

He now serves on the board of New Zealand Thoroughbred Racing, which is the governing body of the entire racing sport in New Zealand.

Dean was instrumental in working together with various segments of the racing industry and the government when sports betting was — and fixed-odds betting was legalized in New Zealand over 20 years ago, and he made it all happen.

Dean let's hear how you made it work down under.

Mr. Dean McKenzie: Thanks, Scott.

I think you might be overstating my involvement just slightly with — I was only, I think, a young horn.

I was in my late 20s when I was made chief executive at the Thoroughbred track that was — and situated in our capital city where, of course, legislation was being passed for sports betting to be legalized.

Certainly, it had more impact on our facility, probably more than any in the country.

Wellington, the capital city of New Zealand, is also where our main or our only wagering entity is based.

Certainly, it was something that we dealt with on a day-to-day basis and was a very interesting time in New Zealand.

My input here is more — I think more from a basis of being able to have a bit of a snapshot maybe.

It was 22 years ago when sports betting was legalized in New Zealand, so I think a lot of the comments and remarks that I'll make are closely linked to what Sam's already said, I think, around fixed odds and wagering platform and decimal illustrations and that type of thing.

Certainly, I think the benefit of it will maybe give you a little bit of a snapshot as to what's happened with us 22 years on.

There are some similarities.

I think as Sam also mentioned, I certainly don't pretend to understand or get to grips with the complex nature of your industry, but we certainly have one major advantage, and that's, of course, that we have a monopolistic provider or only one provider in New Zealand, one legalized provider.

What that enables us to do is probably move on a dime very quickly and instigate things far quicker in a far less complex environment than perhaps you guys operate in.

Tag that warning if you like to some of the comments I'm going to make.

I certainly understand the differences in the environments.

I have to make a public service announcement.

I wear a few hats and could wear a few hats and all those types of things.

I'm sitting in front of you just as an individual that's been involved in both standardbred and harness racing.

Certainly, also from a sporting perspective in New Zealand, I've sat on the board of track and field in New Zealand and also run one of the major stadiums in New Zealand that's hosted the — our major sporting events, Test cricket against our mates from across the ditch and in rugby union fixtures and the like.

At the stadium that I operated, we actually — we're the first in New Zealand to have actually an OTB open at our stadium to take bets on the events, any sporting event.

That was around, I think, 2003, 2004.

That gives you a bit of a picture as to how we've, I guess, got in front of the curve ball and done a lot of things that you guys will naturally go through, I'm sure, as sports betting gets rolled out. Yeah.

All the information that I've — I've got a few stats and figures in here as well just to give you a bit of a picture as to how we've — how our industry's evolved through that sports betting being legalized in the last 22 years.

Certainly, all that information, given our governing body as a statutory body, it's all publicly available, so not breaching any confidences or anything in that regard.

I think Sam's already put up a bit of a geographic snapshot.

What is it?

That's about 7,000 miles, which I've got to go tonight and fly home tonight.

When you're complaining about your eight-hour flight back to Philly or whatever it might be, just remember I'll probably still be halfway across the Pacific, so have some sympathy for me.

Yeah.

Just to reiterate a couple of the background comments, we effectively have a single solitary statutory body that handles all sports and racing activity in New Zealand.

You'll see in the slide that I've put in theory in brackets 'cause, of course, we all understand the influence of online, and certainly our mates across the ditch, it is the most — Sam is 100 percent correct.

It is the most competitive wagering environment in the world.

With that only a two-hour time difference away, there's a — it certainly has a large influence on what we do in New Zealand and the impact of that as well, so that can't be understated.

In theory, we do have a monopolistic position, and all the revenue that flows out of the New Zealand wagering sports and racing environment go back to the horse codes, after paying commission to the sports, which I'll touch on, which I'm sure you'll find interesting, so just some stats here about — you'll find interesting that we've got so many retail outlets.

We take so much wagering on sport and racing.

Particularly given there's only less than five million people in the country, I think we rank third on one of those lists that you'll find — there's a whole lot of them that float around

— defining wagering and what-not, but I think Australia are clearly the world leaders in the wagering environment.

New Zealand generally, depending on what per capita or whatever you look at, we're certainly in that top three to five.

I think the per capita wagering, I think we sit at \$92.00 per capita and Australia at about 225. We're certainly not in the same categories as our friends across the ditch, but it certainly plays a large part in our culture.

The last point of that slide is also something I wanted to touch on is that, under our legislation, in-play wagering in sports is legal and has been for many years and does play a major part.

You'll hear a lot of commentator's touch on how important that will become because that's — it's just not one event that's starting.

It's a multitude of every time they refresh the book right through an NFL game, which might go three or four hours or a basketball game that might go three hours or whatever it might be.

You have to understand that isn't one event.

It's hundreds and hundreds and hundreds of events within that one event.

That is a significant issue that you will work through.

Then again, ironically, specifically spelled out in our legislation is that live betting in horse racing is illegal.

You can't do it.

There's a little bit of a difference there.

Just some numbers just to — these are just to give you a snapshot. I think they're really — the picture I'm trying to paint here is that you're not gonna fall off a cliff.

Sports betting, once it gets legalized and it's spread out through the states, racing turnover — if you use our case study as a bit of a snapshot, racing turnover isn't just gonna certainly plummet off — as I say, off a cliff, and you're gonna end up desolate at the end of the runway.

That graph in front of you pictures turnover or handle — turnover as we call it but handle from the instigation of sports betting in 1996.

You'll see that there is a trend there, and sports betting has certainly ground through that period. This one, I like a little bit better.

I think it does show you the — again, with our industry having a monopolistic provider, it is a really good vehicle to snapshot what will happen or what has happened in our case, and that's a percentage of market share.

If you go back to 1996 when sports betting was legalized in New Zealand, it very quickly went to five percent of total handle that the TAB, the commercial entity for the NZRB, handled.

Of course, that's just grown and grown and grown.

I think those figures that I had on that slide were up 2017.

The annual report of the racing board only got made available yesterday, so forgive me for not updating the graphs.

That's now sprung above 25 percent.

Again, I think the only picture I was trying to illustrate there is that there's been in our instance — and again, I only reiterate it's just our instance — there has been a steady growth through that 22-year period, but it's certainly not a case where sports betting has completely engulfed racing turnover, and racing has fallen off a cliff.

Again, I've probably said a lot of these things already, and I'll skip through them pretty quickly.

The most interesting point I have — I did my master's degree at Ohio University in the sports administration department, so many, many years ago, so I have a particular affinity with sport in the U.S.

I particularly followed the debate around what has been termed integrity fees quite closely.

Our legislation incorporates that, but it's probably a bit more blunt about it just 'cause of commission, which is — I think everyone in this room knows pretty much what it is.

I think there is an argument that there are increased integrity compliance issues that are involved in a wider sports — legalized sports betting environment.

Our legislation just calls it straight commission.

You'll see those — that outlined there.

Just to illustrate some of the — we're not talking moon money by any means.

I think in the last fiscal year — the fiscal year that is in front of you on that slide is up to 2017. 2018's figures, I quickly looked at last night.

It's gone over to 10 million a year that's paid directly from the racing board to the sports as a commission.

Probably the other point I wanted to make on there was the last one.

Under our legislation, no foreign entity is committed to publicly advertise in New Zealand for services, sports betting, or a lot of the promotional stuff that Sam touched on, which is massive in Australia.

I know Sam will know more about this than I, but certainly advertising — the advertising market in Australia is far different around sporting events than it is in New Zealand.

In Australia, Sam, I think, touched on, you do get inundated with promotional activity around major sporting events, and I think that's something you guys will see.

I think one of the speakers at the forum yesterday touched on that, that you'll see the presentation of sport changed dramatically.

I think the point was made around ESPN that I think for a long time were discouraged or not permitted to talk about point spreads and morning lines and all the rest of it, whereas now, you'll go to an ad break between the ten-minute time-out in a game, and you'll see adverts for sports book operators advertising their promotions for that event or the next game that's coming from around the country.

I do believe that is my — just obviously my personal view, but I think you'll find that the presentation of the major sporting events will change dramatically.

In fact, in Australia, that went so far one way that there was some — there was quite a degree of change around what the sports book operators were actually allowed to advertise around because every ad virtually between a break in the sporting contest was a sports book operator.

Again, noting the comments around how competitive that environment is.

They've been through a different experience than us 'cause we only have that one provider that's permitted to advertise publicly in New Zealand.

That's just a graph of — showing the growth of it.

You can see why the sports are advocating so hard for integrity fees, commission fees, whatever you wish to call it.

There is significant growth and it is — obviously, sports betting handle continues up.

Very quickly to finish — and a lot of these points, I think, have already been made by Sam and others — the case for New Zealand is — has been an integrated approach.

If you log onto a racing board or a TAB as they call it in New Zealand, a commercial site, it's all in what you have guys have called one wallet.

You've got a wagering account.

You can bid on a sporting fixture or a racing fixture.

You can parlay them up.

It doesn't matter whether they're in Australia or New Zealand.

It could be a netball game or a cricket game or a — it could even be a college basketball game in America.

You can parlay that into the next race from Trentham or Ellerslie or Randwick, wherever it might be.

Again, one of those advantages of being a small country like ours is we have been able to adapt and innovate very quickly and obviously copy a lot of other activities that have gone around the country.

Our TAB have done a very good job in presenting that integrated approach because that's the key.

If you get your sporting customer that comes to that integrated platform and clicks on the racing — sorry — the sports button before the racing button, you've actually already engaged with them from a racing perspective.

They already know where to go.

They've already got an account with the provider that can place a racing wager.

You've actually got them halfway there.

You've just got to get them to click the racing button.

Again, I've used the term it's our job as racing administrators to actually convince them why they should click that racing button when they log onto that bidding platform.

I think you guys have done a very good job on that.

I've got a slide at the end just to very quickly show you how that happens.

The major effect for us is — in racing is, a long time ago, when lotteries went from the old paper form, where you filled out a butt and took a ticket, to the electronic format. racing as it's told had the opportunity in New Zealand to get involved in that because, of course, the retail network that we had throughout the country, that they turned it back on that.

What happened was that lotteries — lotto, as they call it in New Zealand, got rolled out through other providers' garages, corner stores, that type of thing, and racing lost the opportunity.

The great thing is racing learned from that in New Zealand.

When sports betting was legalized, New Zealand racing embraced it.

This wasn't anything to do with me.

This was the people that were there before me that said, we've learned our lesson here.

We need to get on the front foot here.

We need to embrace it.

It's a friend, not a foe, to use the correct terminology that we're talking about today.

What happened was we got — we integrated it right from day one, and our retail network became the sports bidding platform rather than potentially — and I only say potentially 'cause I wasn't involved in the process — but potentially the other option that we had at the time was what we call in New Zealand the Lotteries Commission, which again, I saw a tweet last week from Daniel Wallach, who I follow on Twitter, talking about Virginia going towards a lotteries-based integrated regulatory function, which — and he made the comment that that was becoming a growing trend.

Again, just using us as an example, if we'd have allowed that to happen, none of what I've been telling you today would have occurred.

That's probably, again, the nut of my presentation.

I look forward to taking a few questions. Just a couple of — this is the platform that I referred to where you can just go in and click racing or sports at the top of it and then work your way through whatever option you want.

Believe me — and Sam, I'm sure, will be the same — there wouldn't be a collegiate basketball game or an American football game or an NHL game or anything like that that you probably can't bet on in New Zealand or Australia and parlay it into any racing event you'd like anywhere around the world. Yeah.

Mr. Scott Finley: Thank you, Dean.

That was great.

We've heard from jurisdictions where, as in New Zealand, you have, in effect, a single monopoly where one organization is controlling the racing throughout the country.

Australia, you have six states in Australia, and there's six different racing bodies.

In America, we've got 50 states, 38 of which have had, at some point in time, legal pari-mutuel horse racing, so it's a totally different challenge in the U.S.

Now we're looking at sports betting that's going on literally a state-by-state basis where there's eight states now, but four of those states don't have any horse racing. Now we'll turn the perspective of, how do you handle things on a state-by-state basis?

The Stronach Group is the leading racing group in the United States with some of the best racetracks, yet ironically, none of those tracks are operating in states where sports betting is now legal.

Scott Daruty's been with the Stronach Group for many, many years, instrumental in many of the innovative and strategic things they've done, starting out with the acquisition of the Maryland Jockey Club, which gave Frank Stronach a Triple Crown race, which is something that he wanted desperately.

Even innovative things like the Xpressbet count wagering platform, the technology initiatives of AmTote, and Horse Racing TV.

Scott's had a hand in many, if not all, of those things.

He is now the executive vice president for content and media, which is a very nice catch-all over the many hats that he wears, but he's also the CEO of Monarch Content Management.

We'll turn it over to Scott to tell us how a leading American racing group views just how to get there and how to do it right with sports betting in the years ahead.

Mr. Scott Daruty: Thank you.

The question of the day is whether sports betting is a friend or foe, and I suppose the answer is that it depends.

It depends who you ask, and it depends on what jurisdiction you're talking about.

When we look at sports betting from within the Stronach Group, we really have three different aspects we have to consider.

We have our live racetracks, and then we have our technology companies, AmTote, our totalisator system, and Xpressbet, which is our online wagering platform.

I've been asked to focus today on the racetrack perspective, and so the vast majority of my comments relate to that.

I did just want to touch though on our two technology companies.

AmTote, which many of you know is the leading pari-mutuel totalisator company in North America, is already in the sports wagering business.

AmTote has a sports wagering — fixed-odds sports wagering platform that operates in Australia. They're the technology provider for Tabcorp, and there's approximately five billion annually in fixed-odds sports wagers processed by AmTote in the Australian marketplace.

Sports wagering is clearly a friend for AmTote.

As we look out into the future, there's some B2B opportunities for AmTote in the North American marketplace, and we're excited about that.

As to our other technology company, Xpressbet, as a consumer-facing wagering platform, probably most of you know the third-largest online wagering company in the U.S. right now, somewhere in the neighborhood of 800 million annually processed on horse racing, it's a tremendous opportunity for Xpressbet to be able to offer sports wagering to its customers.

We have not entered that market yet.

We've looked very carefully at the jurisdictions that have so far legalized.

New Jersey's an example.

We have had discussions with some of the interests in New Jersey, but that's a market where it didn't make sense for us to jump in, given that horse racing is not able to be offered by Xpressbet in that market due to the New Jersey laws.

In any event, those are our technology companies and the tremendous opportunities that they see.

It's clearly a friend of those, but when it gets to our racetracks, it's a bit more complicated of a question.

Our racetracks are located in some pretty good states potentially: California, Florida, Maryland, and Oregon.

They're highlighted in the red there on the map.

Unfortunately, none of those states currently overlaps with the yellow highlighting, which is states where sports wagering is currently live.

We do have one jurisdiction, Oregon, where there are sports wagering laws on the books, although it is not actively taking place yet.

I'm gonna go through each of our four states, and I think we're gonna see first an example of where I would say sports betting is probably a foe.

We'll talk about an example where I think sports wagering is gonna be a friend.

Then we have two big question marks in California and Florida, and I'll touch on those as well.

In the state of Oregon, many of you may know, Oregon was grandfathered into sports wagering when PASPA was passed in 1992.

It was on a limited basis, but the Oregon State Lottery had historically conducted some sports wagering games through the lottery system, and so when PASPA was passed, they were allowed to continue doing that.

That has not taken place in Oregon.

Even though the laws are still on the books, those games have not taken place for well over ten years.

Oregon abandoned that lottery game when they were trying to attract the NCAA back into the state for some championship games and tournaments and what-not.

Given that history of sports betting through the lottery in Oregon, we think that when sports wagering comes to Oregon — and it looks like it's probably a near-term issue there — we think, unfortunately, it's gonna be controlled by the lottery, through the lottery.

The Lottery Commission in Oregon has publicly stated it's their goal and objective to be up in 2019.

They have displayed a mobile app, which will almost surely be used for the sports wagering there.

Oregon also has a very extensive retail network of lottery locations, and the retail element in Oregon is likely to be provided through those existing retail locations.

When you look at it from the perspective of the racetrack, there's not a lot of opportunity in Oregon. Now, certainly, we would like to be involved.

We've made efforts to be involved, but I think it's a bit of a long shot.

The racing industry, it's very difficult in Oregon.

It's difficult because there are so many other gaming opportunities which the racetrack is not able to participate in.

I think this is just one further example of where gaming in Oregon is going to expand outside the scope of racing.

The prior speaker just talked about what they were able to achieve in New Zealand because the sports betting was operated through the racetrack where I think in Oregon, unfortunately, gonna be on the other side of that where it ends up being operated by the state lottery.

The next state I'll talk about is Maryland, which we view as a very positive state and where the question would be answered we think sports betting is going to be a friend in Maryland.

We have three racetracks there.

We have Pimlico, which of course is where the Preakness Stakes is run.

We have Laurel Park, and then we have a harness facility, Rosecroft Raceway.

The general feeling within Maryland is that the sports wagering opportunity is going to come to the land-based casinos and to the racetracks.

We heard earlier in the panel that that seems to be the logical way for this to play out in most states, and that seems to be the way it's going in Maryland.

There was a bill in the most recent legislative session that made it through the House.

That bill permitted sports betting at racetracks and at the land-based casinos.

Unfortunately, that bill that was passed by the House did not get through the Senate and therefore did not take effect.

Now, it's interesting to note, in Maryland, even though there was discussion about moving a piece of legislation, that legislation was just a precursor to a statewide vote because under the laws in Maryland, to introduce sports wagering, it would take a full vote of the people.

There's been some polling done.

The polling indicates that that would be favorably received and likely to pass.

The question remains we still have to get that bill through at some point in the next session.

One question that has come up is whether or not the need for a statewide referendum could be sidestepped if sports wagering was conducted through the Maryland State Lottery.

That's certainly not a question to which there's a definitive answer, but our position on that would be, we don't want Maryland to end up looking what I just described for Oregon, so our preference would be to not go that route, to continue working between the

racetrack industry and the casino industry in Maryland to get a piece of legislation passed and then move on from there.

By the way, when I say that sports betting is a friend in Maryland, we've seen earlier today that it's not wildly profitable.

We don't expect money to be falling from the sky, and we don't think it's gonna significantly change the economic realities of the racetrack or of the purses we're able to offer at our racetrack.

What we do believe — and I was really pleased to see in Bill Knauf's comments that it's bearing out in New Jersey — what we really believe is, as an amenity at our facility, it's gonna bring in additional customers.

They're gonna spend time there.

They're gonna bet on sports, and while they're there, they will bet on horse racing as well.

I think the numbers that Bill shared on the year-over-year growth are a good indication that that is likely to happen.

That's the situation in Maryland.

Moving on to the two question marks, Florida and California.

These have tremendous upside potential just in terms of the size of the market.

They're also gonna be two very challenging markets for the introduction of sports wagering.

Florida would have been a very different discussion about 30 days ago, but in early November in the recent election, there was a legislative — sorry.

Not legislative.

There was a voter initiative passed called Amendment 3.

What Amendment 3 said is there can be no additional introduction of casino gambling in the state of Florida without a full vote of the citizens of Florida.

In other words, this referendum took casino gambling issues out of the hands of the legislature and put it in the hands of the voters.

The initial reaction I think of most people when Amendment 3 passed was to say, there goes Florida.

You're never gonna get sports wagering in Florida unless it goes to a full vote of the people.

As you dive in a little bit more closely to Amendment Three, I'm not sure that's the case.

The key issue, of course, is, as used in Amendment Three, what does it mean by casino gambling, and does that include sports wagering?

Interestingly, the definition that was used in Amendment three and then also the language on the actual ballot and the examples that were listed on the actual ballot, nowhere was the term sports wagering used.

There was a complicated definition that said casino gambling is gambling of the type typically found in casinos. That's a circular question.

Florida has many casinos, and none of them have sports wagering, so does that mean sports wagering is not casino gambling, or do you — as others argue, do you look to a state like Nevada and say, clearly, sports wagering is something that is offered in casinos in Nevada?

It's an open-ended question, but we think the fact that the list of examples of casino gambling that were included in the ballot were all roulette games, slot machine games, typical casino games that referenced random outcome, and we think really sports wagering doesn't fall within that definition.

Anyhow, that's a legal issue that'll be wrangled over in Florida for some time to come.

The passage of Amendment Three certainly does delay any implementation of sports wagering in Florida.

Then finally moving on to California where the Stronach Group operates two racetracks, Santa Anita in the south and Golden Gate Fields in the Bay area, what can you say about California other than it is a very, very difficult state to try to handicap because there are a lot of competing and conflicting interests.

The current law in California is such that sports wagering would need to go to a referendum in order to be implemented.

It's not something that the legislature can do.

However, the legislature could be involved.

There's two ways to get a referendum on the ballot.

One would be to go to a voter petition process and collect enough signatures.

The other would be for the legislature to pass a piece of legislation putting the issue to the ballot.

There was a bill introduced — it didn't go far in the last session—to introduce sports wagering.

There was some meetings between the legislature and the tribes and the card clubs and the racetracks in California.

I personally attended those meetings, and I would say I think there were a few takeaways.

One, the tribal interests in California are very, very strong politically there, and they have made it clear at least up until this point that they are not interested in any way, shape, or form to online or mobile sports wagering.

We've heard a lot of people talk on the prior panel and this panel about how important mobile and online is in sports wagering.

In fact, we've heard it's probably gonna settle in as much as 75 or 80 percent of wagering would be online or mobile.

In California, the political reality is that the tribal casinos are generally located out of the urban areas, and the tribes have always been most interested in, how do they get people to their facilities and I think have been deathly afraid of expansion of wagering opportunities that don't require an hour or two drive out to the nearest casino.

Unless there's a significant shift in the position of the tribes, I think when and if sports wagering comes to California, at least for the initial period, I don't think it would be online or mobile. Certainly, there are people who disagree with that assessment, but that's my take, having spent some time with the tribes.

How do racetracks get included or not included?

Certainly, we want a seat at the table.

As I mentioned, in Maryland, we don't see it as a wildly profitable venture, but we see it as very important to bringing people to our racing facilities, and once there, hopefully converting them to racing fans and having them place bets on our races.

That's the state of where we stand.

There was one other issue that I thought was important and I really wanted to touch on. That is, how do fixed-odds wagers impact horse racing content?

In other words, and to go back to Bill Knauf's comments earlier, what about offering a bet where you have the Santa Anita Derby and the Florida Derby, and you parlay that to a sporting event?

We certainly think that's a good idea.

We certainly think that's a way to bring new customers and engage the existing customers, but the one thing I think is important for everybody in this room to understand and to take away is that whether it's a fixed-odds bet or whether it's a pari-mutuel bet, the Interstate Horse Racing Act does protect horse racing content, and the Interstate Horse Racing Act — at least insofar as interstate wagers go.

Again, if New Jersey wanted to offer a bet on a Santa Anita race or on a Gulfstream race, the Interstate Horse Racing Act governs, and the Interstate Horse Racing Act says the consent of both the host racetrack as well as its horseman's organization must be given in order for that bet on an interstate race.

We would certainly have every intention, at least as far as our tracks are concerned, of granting that consent, but there would be some economics that would need to go along with that.

That opens up questions.

When bets are taken on fixed odds, what would an appropriate host fee compensation be?

How would the takeout on that bet compare to a takeout on a traditional pari-mutuel wager?

Certainly, that takeout issue has to be taken into account when determining what the right payment is for the content.

We're in a much-preferred position to the NFL and other leagues, given that we have the Interstate Horse Racing Act.

That's our hook, so to speak, to make sure that we do get paid for our content.

That's generally the thoughts of the Stronach Group as far as sports wagering and how it's gonna impact us, moving forward.

Mr. Scott Finley: Thank you, Scott.

I think we're running out of time a little bit for questions.

I just want to do a quick wrap, sum up, and then we'll throw it open to questions in the six or seven minutes we have left.

I think that the three key takeaways — and we've seen this in the other panels today and even yesterday — is, first and foremost, it's going to be a state-by-state battle, unlike New Zealand or other countries where racing is conducted and managed on a national level.

We're looking at each state, and Scott's discussions of California is totally different from Florida and Maryland, et cetera.

The key thing for racing is, you got to get a seat at the table. Get in now.

You heard that in the earlier panel this morning. If you don't start working cooperatively with the various stakeholders in your respective state, you're never gonna get anything. That ranges from Indian tribes to the state lottery to casinos if they happen to be in your state to regulators and obviously politicking and legislators. That's really critical.

New York's a good example of where that hasn't really happened.

The laws on the books, there's four casinos that can legally do sports betting in New York, but they've just been unable to get anywhere with the legislature and other potential stakeholders in the state.

That's really, really important.

For any racing person in this audience or anywhere in this country that hasn't already engaged, you got to get in there, and you got to start engaging, or once again, racing's gonna lose out.

Secondly, I think the key thing — we're beginning to understand this, but it's not like horse race betting.

It's not like pari-mutuel betting.

You can lose.

It's not like, oh, wow.

We handled \$1 million today on a future race, and therefore, we're gonna make our eight or nine percent.

You can handle \$1 million, and you could lose eight or nine percent.

Working with an operator that understands the business and the risk, it's a lot different than just saying, okay, fine, we'll turn on the tote 11:00 this morning just count the money as it flows through the windows.

That's really important.

I guess the other point — and we've said this so many times — online is absolutely key.

If we're gonna engage the younger generation, I can't say enough how important it is to be online.

Some of the states have done that well, others haven't, and that's really where it all has to go.

If there's questions out there, please raise your hand.

We'd love to have your questions to the panel.

If not, I have a question for everybody, and that should wrap it up, so have a go.

Everyone's shy.

I'm gonna start down the line, and this is relevant exactly to what sort of funding from sports betting and/or fixed-odds betting on horse racing flows back to the racing interest.

Sam, we'll take it in Australia.

How does PointsBet and all the other operators in Australia pay back to the horse racing industry?

Mr. Sam Swanell: Yeah.

We pay a fixed fee of turnover and/or gross profit, so it's like a dual catch-all, basically.

If you have a good day where you make a really high margin on the book, results have gone our way, then it might be a percentage of that gross profit, say, 15, 20 percent of that gross revenue.

If you have a bad day, the punters have had the better of us, we still will pay a turnover tax to the industry.

The industry makes money no matter what.

We have to have agreements with all the principal racing authorities across greyhounds, harness, and Thoroughbreds.

We have integrity sharing of information, all the things the stewards need to conduct the sports, but we pay them that fee.

To bet on their product, we pay them that fee.

I would make the point though in that, in Australia, all wagering providers, all bookmakers, whatever, have access to all product, so there isn't a situation where one bookmaker or sports book can't bet on Australian product.

Everyone bets on the same product.

The fees differ depending on the quality of the racing. For the Melbourne Cup, the fees might be higher than for a country provincial race.

We're talking circa three percent of turnover, two and a half to three percent of turnover is the fee that is paid.

As I noted before, the industry was very concerned of the fact that you take turnover away from the pari-mutuel, which was contributing at a higher rate, and you're only making perhaps two and a half or three percent from the fixed odds at the lower rate.

That transition period is going to be the test of that because while punters are transferring potentially to the lower-contributing form of betting, as we've seen, we've managed through that transition.

Because of the increase in volume that's come with it, because of the innovation that the bookmakers have put into the market and the money we've spent on marketing to grow the business, the overall effect has been that funding has been fine, even though a lot more turnover is coming via that two and a half or three percent mechanism.

Mr. Scott Finley: Thank you.

Bill? Monmouth is owned by the horsemen, which is a somewhat unique situation.

We know about the Interstate Horse Racing Act and so forth but tell us how any revenue — any positive revenue from the sports betting is going to be distributed to the horsemen of — Thoroughbred horsemen of New Jersey.

Mr. Bill Knauf: Yeah.

We are unique.

There is nothing on the New Jersey law that says any specific amount goes back to purses.

The only thing is the state taxes.

We're unique in the sense that we are run by the horsemen's organization.

We've taken the position that we're gonna get through a season of sports betting, find out what the economics are at the end of it, how much actually was left over after quite a bit of operational and startup costs, and then sit with the horseman's board and figure out what we can allocate to purses.

From our perspective, it's very clear we're a racetrack.

We're run by a horseman's organization.

We want to put the best product out there year in and year out for our live meet.

There's nothing specific that I can give you right now in terms of dollar amounts or percentages.

It's just gonna be a coordinated effort with the horsemen after we find out how much is left after from sports.

Mr. Scott Finley: Dean, I think you've covered it in your slides, so in the interest of time, I apologize, I'll pass you over and throw the last question on this to Scott.

Let's just pick one state where there's a good chance, Maryland, for racing and sports betting to be a friend of racing.

How, in your projections, in your thinking, if the legislation goes your way, would the Stronach Group allocate any sports betting revenues — granted, it's low-margin — towards the horsemen at Pimlico, Laurel, and Rosecroft?

Mr. Scott Daruty: It's a tough question to answer in the abstract because we don't know what the tax rate would look like or what the structure would be.

I will say this, that the purses in Maryland are funded in tremendous part by the operation of the casinos.

In Maryland, when the legislation passed years ago for casinos in Maryland, there was a percentage of the slot revenues that were dedicated to purses.

We do not get any revenue.

We, being the track operator, do not get any revenue really that goes to our bottom line. We get some capital money out of those slots.

The purses in Maryland right now are pretty healthy.

We would be happy to share in the sports wagering revenue with the — with purses, but it just — to say a percentage right now would be next to impossible, not knowing what the economic model of that wagering would be.

Mr. Scott Finley: Totally understand.

All right, folks.

Thank you so much.

I think we've had a lot of interesting things to come out of this today.

I've already cut into your coffee break by a couple of minutes but thank all our panelists and good luck with sports betting in your jurisdiction.