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Investors Place Their Bets on Gambling Stocks: DraftKings

At an investors event last November, Morgan Stanley made a bold prediction, telling participants that sports betting will become a nearly \$7 billion industry in the United States by 2025, a sentiment echoed by casino executives from Hard Rock, MGM, and Mohegan Sun in attendance. While that number pales - for now - in comparison to the \$41.7B raked in by American casinos in 2018, it represents the power of an industry that didn't exist prior to the Supreme Court ruling that struck down the Professional and Amateur Sports Protection Act (PASPA), handing sports betting legislation back to the states in May of 2018. Whatever the actual number is, it's clear that there's plenty of money there. Prior to the PASPA decision, the American Gaming Association estimated the illegal sports betting market was worth \$150B a year.



How states manage sports betting is now left to them, but New Jersey, which took in \$8.3B in sports betting revenue between June 2018 and August 2020 (Morgan Stanley may want to look at their numbers again), allows mobile and online betting made possible by providers like DraftKings, Inc. (DKNG: US) and Penn National Gaming (PENN: US). It's the modern equivalent of calling a bookie, minus the potential for getting your legs broken. 21 states have legalized gambling in one form or another, with 14 allowing online platforms accessed within state lines.

Suffice it to say, there are abundant opportunities for investors in this new industry, with some speculating that all 50 states will eventually legalize sports betting to aid in recovery efforts demanded by COVID-19's impact on retail, hospitality, tourism, and travel. Those opportunities are also shedding light on how casinos are finding ways to remain viable in an economy that has proven itself highly sensitive to connectivity-driven events like pandemics.

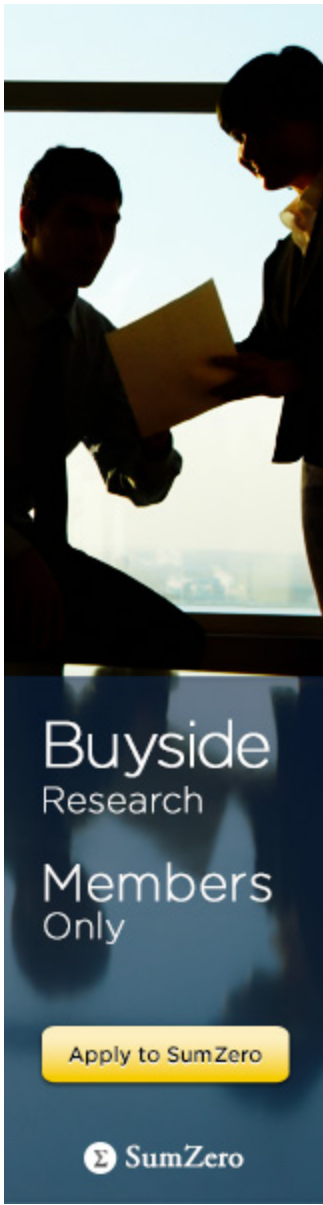
Read our special market commentary on the online sports betting industry, citing a report on DraftKings (<https://sumzero.com/pro/research/ideas/19015>) from SumZero member **Warren Fisher of Manole Capital Management** (https://sumzero.com/pro/cap-intro/funds/manole-capital-fintech-fund#).

SumZero Market Commentary featuring:

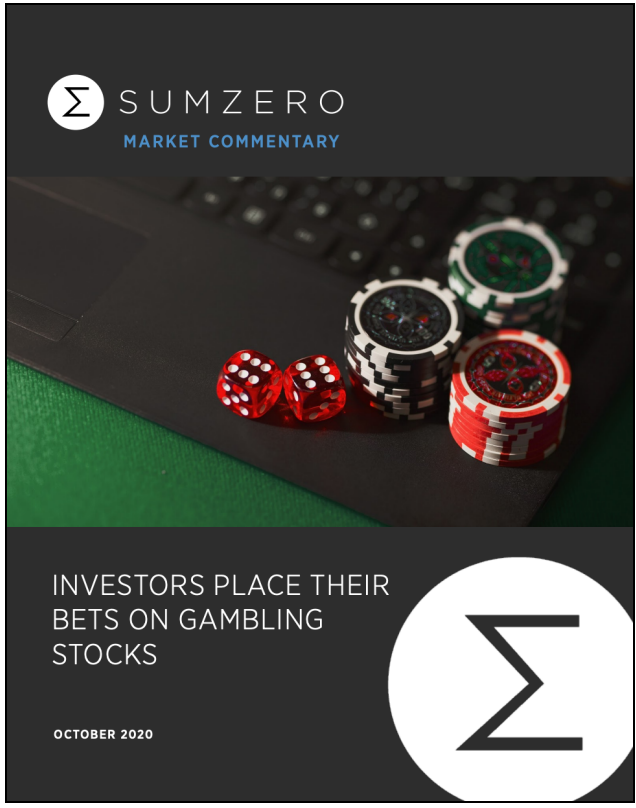
Warren Fisher
Founder/PM of Manole Capital Management
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