

## Q: Is Sports Betting in a bubble?

**Brian Lockhart:** It would be easy to come to that conclusion if you bother to watch a professional sports event these days. Sports betting used to be taboo to professional sports going back to the Pete Rose days (he is still banished from the Hall of Fame for betting ON his team). It feels pathetic for announcers of games to be actively promoting betting, so clearly a lot of revenue must be generated for the recent changes in sport. Sports betting has gone from something that took place in Las Vegas to a worldwide phenomenon. Revenues are listed as GGR (gross gaming revenue) and some analysts have suggested the cumulative GGR will reach over \$150 billion per year by 2025 (source: TRF). The popularity of podcasts like Barstool Sports and proliferation of startups that facilitate small-stake betting, similar to Robin Hood for stock investors, have made sports betting very mainstream. It is almost as if “bookies” are now doing IPOs and getting billion dollar valuations. The opportunity today may be with esports, however. Ever heard of Tyler “Ninja” Blevins? He is a professional gamer who averages over 70,000 watching when he competes (in a video game). He makes over \$300,000 a month in revenue and has more than 12 million followers. We are likely 10-15 years from the time when more people will watch video game contests than live sports, not something those older than 40 today are likely looking forward to.

**Clint Pekrul, CFA:** I guess when there’s a pandemic, and people are confined to their homes, they look for new ways to entertain themselves. What used to be an activity relegated to Las Vegas is now mainstream with gambling apps at everyone’s fingertips. The reality is that sports gambling is no longer taboo but rather mainstream. We see it with commercials during sporting events. The betting line is almost as prevalent as the score. We’ve seen networks like ESPN partner with the likes of Fanduel to attract viewers. I wonder how much of the government stimulus during the pandemic went straight to Fanduel and Draftkings? I’m not sure a sports betting bubble is actually possible, simply because the number of gambling opportunities is unlimited. In fact, the amount wagered collectively on video games is greater than that of actual live sporting events. If there is indeed a bubble, the only way that it pops is when the gamblers start to go broke. It’s not like speculating on a share of stock or a commodity. Over time, the odds are always stacked against you. Unfortunately, gambling can become an easy addiction.