

The Outlook for Regulated Gaming: It's A Good Bet

By Joan Van Tassel

People may not always win their wagers at the table or at the slot machine, but forecasts suggest that many companies in the gaming business are going to be in the chips. Whether it is bricks-and-mortar or online gambling venues, PricewaterhouseCoopers *Global Entertainment and Media Outlook: 2006-2010* says that the global revenue for "Casino and Other Regulated Gaming" will increase at a compound annual growth rate (CAGR) of 8.8 percent from \$82.2 billion in 2005 to \$125 billion in 2010.

Several factors account for the expansion. The popularity of online poker, coupled with the penetration of high-speed broadband Internet access, give gaming a new ease and excitement. Although online gaming is illegal in the U.S., sites around the world attract players from everywhere. On the ground, new casinos in the U.S., Asia Pacific, EMEA, Canada, and Latin America are drawing customers flush with cash.

The Big Winners

Asia Pacific is expected to grow the fastest at a 14 percent CAGR, with revenues expanding from \$11.9 billion in 2005 to \$23 billion in 2010. Macao is becoming an international gaming center with the establishment of lavish casinos catering to big spenders. Wynn Macao and a partnership between the Las Vegas Sands and Hilton Hotels are entering this market, as are other U.S.-based hoteliers. The mega-center in Macao will drive overall revenue in the Asia Pacific region, accounting for 62 percent of the area's gaming revenue in 2010. South Korea, Singapore, and the Philippines are following Macao's lead and establishing new casinos and resorts, contributing to the region's revenue rise.

Europe Middle East Africa (EMEA) will post respectable gains, growing at a 10.7 percent CAGR, to \$22.4 billion in 2010 from \$13.4 billion in 2005. Fueled by rising broadband penetration, online gaming will be the strong suit of this region, rising at a 17.3 percent CAGR to \$6.3 billion in 2010. The lack of Las Vegas-style venues dampens the growth in this region. However, one exception is the UK, which will see the introduction of one new large casino and several smaller venues. Revenue in the UK will rise at a 16.8 percent CAGR to \$6.6 billion in 2010, helping it to replace France as the largest market in EMEA. South Africa also plans new casinos and will host the 2010 FIFA World Cup, boosting casino revenues.

Las Vegas: On the Money

In the U.S., Nevada and tribal casinos are hot. Nevada casinos will increase at an 8.2 percent CAGR from \$11.7 billion in 2005 to \$17.3 billion in 2010. Nevada is the largest casino gaming state in the U.S. It will keep its premier position with the addition of Palazzo, a 3,000-room resort, Encore, and MGM Mirage's \$6.5 billion CityCenter project. The importance of hospitality as a source of revenue has increased in importance as it now accounts for 60 percent of revenue and gaming brings in 40 percent. One cautionary note is that the Nevada market is sensitive to shifts in the U.S. and global economies as well as any complications in air travel or tourism.

Tribal casinos, now becoming bigger, splashier, and hipper, are attracting younger gamblers. Their revenue will grow from \$22.7 billion in 2005 to \$32.5 billion in 2010, a 7.4 percent CAGR during the period. Regional casino gaming is allowed in nine states – Colorado, Illinois, Indiana, Iowa, Louisiana, Michigan, Mississippi, Missouri and South Dakota – and seven states allow slot machines at racetracks. Pennsylvania will add new racing and slot parlors and Ohio is considering gaming as a source of education funding. These developments will drive regional growth, increasing at a 6.3 percent CAGR to \$19 billion in 2010 from \$14 billion in 2005. By comparison, Atlantic City will grow by a modest 2.8 percent, from \$5 billion in 2005 to \$5.8 billion in 2010.

The gaming market in Canada is growing at nearly the same rate as that of the U.S. Rising at an 8.3 percent CAGR, revenues were \$3.4 billion in 2005 and will increase to \$5 billion in 2010. New casinos in the west will boost casino revenue. However, broadband penetration has made poker an exciting playing option, so that online gaming is the fastest-growing portion of Canadian revenue, rising at a 14.8 percent CAGR. In Latin America, the sector is growing rapidly at 12.1 percent CAGR but the size of the market is very small. The region will rise to only \$159 million in revenue in 2010. Online gaming and new casinos in Argentina and Chile are growth spots in the region.