



Eilers & Krejcik
Gaming

Impact of Social Casinos With Sweepstakes in New York

Prepared for the Social Gaming Leadership Alliance
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Executive Summary

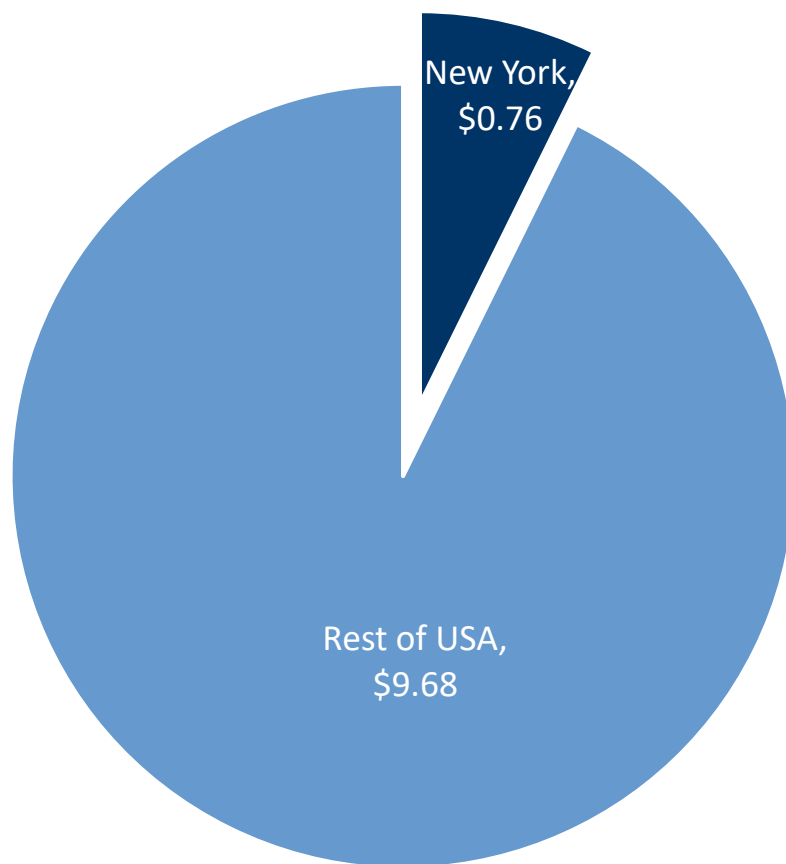
Eilers & Krejci Gaming was engaged by the Social Gaming Leadership Alliance to research and model the economic impact of social casinos with sweepstakes in New York. A summary of our findings is below; these topics are explored in detail throughout this report, and details on methodology are available towards the end of this report.

- **Social casinos with sweepstakes** are social casinos (online apps that sell in-game currency that users can use to play casino-styled game content) that leverage sweepstakes promotions to award users with real cash and/or prizes. Operators of these types of games must comply with sweepstakes laws, including providing an alternate method of entry (AMOE) through which users can request free contest entries; no purchase is necessary to participate or win prizes. Major payment processors require operators to run KYC checks, geolocate users, and comply with relevant AML laws.
- **Market size and background.** We estimate social casinos with sweepstakes generated \$10.66bln in sales in 2024, of which New York accounted for \$762mm. Our estimate for total market net revenue (removing the cost associated with player prizes) is \$3.45bln - about \$251.7mm from New York. The market has existed since at least 2012 and has grown substantially over the past several years due to a combination of factors that notably include 1) a spike in consumer awareness in 2020 during quarantine market conditions which benefitted online gaming broadly, and 2) increased investment capital into the space. The market is overwhelmingly USA-based (about 98% of total revenue, per our estimates).
- **Economic benefit to New York.** The social casinos with sweepstakes industry generated more than \$230mm in combined direct and indirect benefit to New York in 2024; our analysis throughout this report focuses on the impact the industry had in 2024, as virtually all major social casinos with sweepstakes ceased operating in the state in early 2025. This includes \$196mm in direct economic flows through 1) businesses that are part of the payment processing supply chain like Mastercard, American Express, JP Morgan Chase, and Citigroup, which we estimate at \$152mm, and 2) affiliate marketing fees paid to New York-based companies like Better Collective which we estimate at \$44mm. The industry supports an additional \$36mm in estimated indirect household earnings, supporting 517 New York-based jobs at companies throughout the supply chain. Our methodology (described in more detail towards the end of the full version of this report) uses Bureau of Economic Analysis RIMS II economic multipliers for each respective part of the supply chain and consistently leans towards conservative assumptions, leading to estimates that we believe are more likely to understate than overstate the aggregate economic impact to New York.
- **Additional potential revenue streams.** New York has additional opportunities to capture increased economic value from social casinos with sweepstakes via regulation. We estimate that the introduction of operator licensing, coupled with a tax on player purchases, could generate over \$100mm in new annual revenue to the state while simultaneously enhancing consumer protections. A regulatory framework would make it easier to audit operators, enforce compliance with consumer protection laws, and ensure players have reliable recourse if issues arise.

New York's Share of Social Casinos With Sweepstakes Market

Key Takeaway: We estimate **New York's social casinos with sweepstakes player purchases at \$762M in 2024**, roughly 7.3% of the total U.S. market. Our estimate for New York is driven by a large eligible population of ~15 million adults aged 21 and over, as well as strong disposable income (\$89,672 per eligible player) and widespread internet access (89.6% of households have broadband internet).

Sweepstakes Gaming Market Size – New York as Share of Total 2024 USA Revenue (in Billions of USD)



Noteworthy Inputs/Details:

- **Operator Data:** Operators representing a majority of the total market provided data reviewed by Eilers & Krejcik Gaming.
 - New York estimates account for all major tracked operators with no significant exclusions.
- **Population:** 14.9M eligible adults (21 and over).
- **Income:** \$89,672 average disposable income per eligible adult (2023 Bureau of Economic Analysis data).
- **Broadband:** 89.6% household access (US Census ACS).
- Note that the difference between the market size in the chart to the left and the market size on the prior slide is because this pie chart displays USA revenue, which we estimate to be 98% of total revenue.

New York Economic Impact: Total

\$15.6mm

Our estimate for the amount that social casinos with sweepstakes paid in card network fees in 2024 to New York-based Mastercard & American Express.



\$135.9mm

Our estimate for the amount that social casinos with sweepstakes paid in interchange fees in 2024 to New York-based card issuing companies.



\$44.0mm

Our estimate for the amount social casinos with sweepstakes paid Better Collective for affiliation deals in 2024.



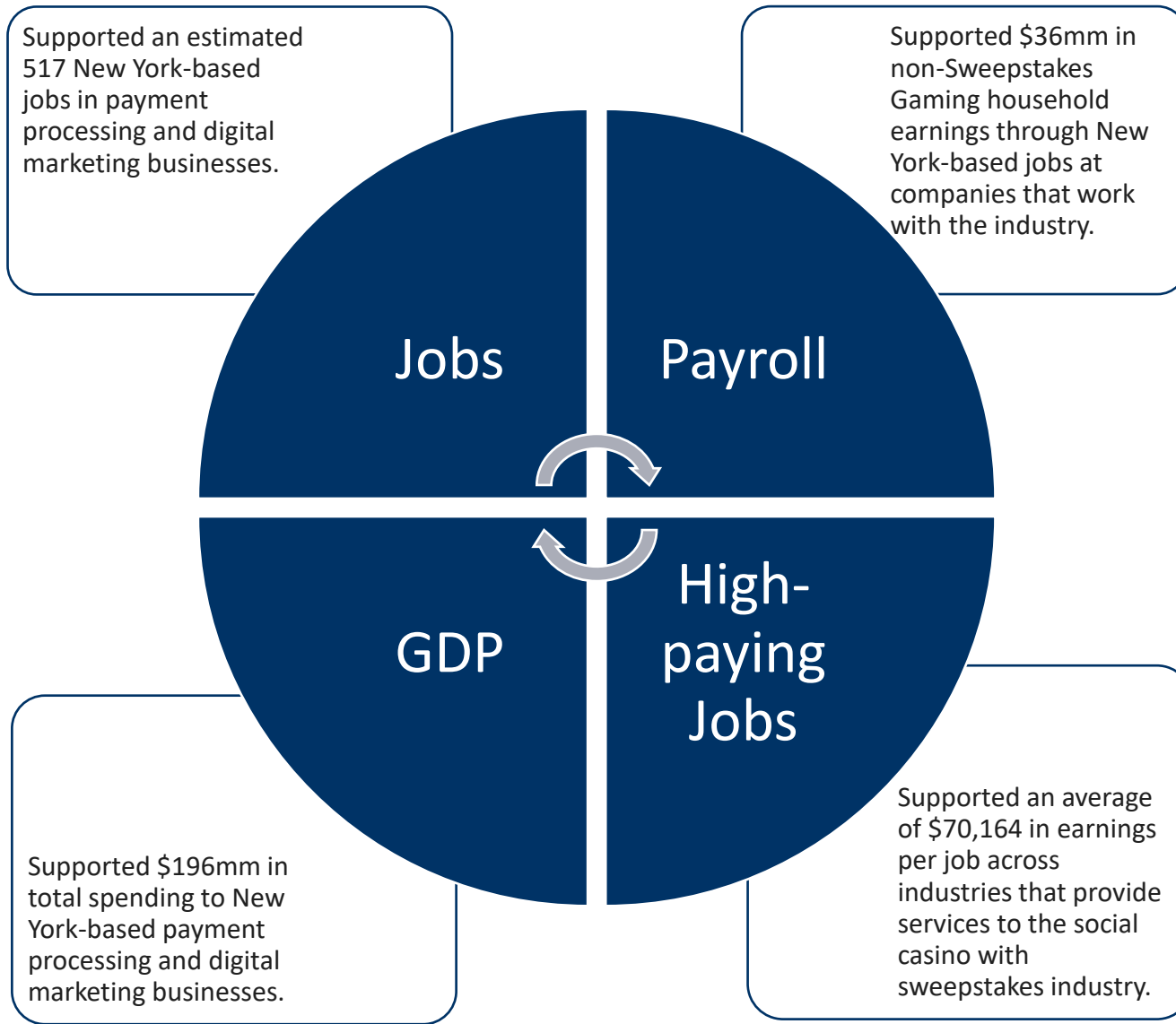
\$195.5mm

The combined total of our estimates for each of the above social casino with sweepstakes industry expenses that provide economic benefit to New York.

EKG Insight: The items above do *not* represent a comprehensive list of areas through which economic benefit is provided to New York; these are merely a subset focused on areas where we had sufficient information to derive estimates. That said, these figures help demonstrate that the industry provides significant direct and indirect economic value to the state.

Source: Eilers & Krejcik Gaming, LLC

Economic Impacts Extend Beyond the Consumer Experience



Key Takeaway: Due to the nature of the supply chain of the social casino with sweepstakes industry, and the financial services-focused New York economy, **we believe that there were also large and meaningful indirect economic impacts in the state as a result of economic activity by New York-based vendors and the employees of those vendors within their local communities.**

Note: We conducted due diligence on actual suppliers for several key operators to help confirm our estimates. The outputs on this page align within the bounds of Bureau of Economic Analysis RIMS II economic multipliers for the appropriate industries for each component of this analysis, supporting the validity of these impact estimates, but we note that the social casino with sweepstakes industry is unique and may not be perfectly represented by aggregate values that appear for businesses in its North American Industry Classification System category.

Details on methodology are available in the Methodology section at the end of this report.

Source: Bureau of Economic Analysis, Eilers & Krejcik Gaming, LLC

Potential Revenue via License Fees

If New York were to issue licenses to social casinos with sweepstakes, license fees could provide a variety of benefits:

- Direct revenue generation for the state
- Ability to audit operators for compliance with existing laws and any newly introduced regulations
- A cleaner path to enforcing penalties against any non-compliant operators
- Ability to introduce a framework for monitoring and collecting additional revenue from any other new related taxes

How much potential revenue could license fees produce?

Proper introduction of a license fee would require a dedicated study that includes communicating with potential license holders to understand how many applicants exist and how much they would reasonably pay for market access. However, we can produce a simpler estimate via looking at examples of online casino license fees and leveraging our knowledge of social casino with sweepstakes operators.

In online casino markets, initial fees (in states with open licensing processes) range from \$150,000 in Michigan to \$4-12mm in Pennsylvania (it costs \$4mm for a license to operate slots, and another \$4mm each for table games or peer-to-peer licenses).

Elsewhere in this report we mentioned that a typical EBITDA margin for a sweepstakes operator is about 15% - but some major operators may have as low as a ~10% margin, and any potential fee would ideally be palatable for those operators in order to avoid too few license holders. Inversely, if the fee is too inexpensive, the number of potential licenses could escalate to an undesirable level that creates more regulatory overhead than is desirable.

We simulated several price points; in the absence of a more robust study, we estimate a **\$250,000/year license per brand** (not per operator) is a reasonable fee that 1) would not be a deterrent for major operators, 2) is in the range that would maximize revenue generation for the state, and 3) would deter smaller operators that may be undesirable to work with.

At that price point, an operator with a 10% EBITDA margin would need to earn \$2.5mm per year in New York sales for a given brand to break even; if the operator does 7.3% of their business in New York (our estimate of NY share of the USA market), operators generating \$34.2mm annually or greater could reasonably consider applying. Due to the top-heavy distribution of revenue in this market between brands, we estimate most top-10 operators would acquire 2-3 licenses to support a few brands – and that **total revenue generation would likely fall into the \$7-13mm/year range**. This is a low confidence estimate due to the simplistic methodology used to arrive at it.

Source: Eilers & Krejcik Gaming, LLC

Potential Revenue via a Player Purchases Tax

Taxing player purchases at social casinos with sweepstakes is a simple way to expand the economic benefit of the industry to New York – and it's an approach that scales alongside growth of the space.

Applying a player purchases tax to license holders could additionally prevent the tax from being applied broadly to other industries that sell digital items which aren't required to pay sales tax within the state. New York's statewide sales tax of 4.0% would create revenue for the state without being a deterrent to operators. The math on what that would generate is simple:

\$762mm in New York revenue * 4.0% player purchases tax = \$30.5mm in annual tax revenue

The highest sales tax rate in New York exists in New York City, where the combined state and local rate is 8.875%. While that would potentially influence some operators not to operate, there are some states with similar applicable rates already being leveraged on the sale of digital in-game currency; we therefore do not believe it would act as a significant enough of a deterrent to materially impact the market:

\$762mm in New York revenue * 8.875% player purchases tax = \$67.6mm in annual tax revenue

If New York taxed player purchases at a rate equal to the highest sales tax rate anywhere in the state, 8.875%, the annual tax revenue generated would exceed \$67mm – equal to about 26.9% of operator net revenue.

Summary of Potential New York Revenue Streams

By charging operators license fees and taxing player purchases at social casinos with sweepstakes, New York could generate upwards of \$80mm in annual revenue based on recent market levels. We would expect that figure to quickly go above \$100mm via 1) operators developing relationships with local businesses for promotions, 2) operators gaining access to advertising channels that require proof of a license to advertise casino-styled content, and 3) more social casino operators deciding to leverage sweepstakes contests in the state.

Key Takeaway: Combined with the direct and indirect economic benefits that the industry provided to New York in 2024, introduction of a license fee and player purchases tax – both of which would largely be paid by operators who are based out-of-state – could bring the total economic benefit of the social casino with sweepstakes industry to New York to more than **\$300 million**.

Source: Eilers & Krejcik Gaming, LLC

About the Authors



Matt Kaufman is Managing Director of Digital & Interactive Gaming at Eilers & Krejcik Gaming. In his role at EKG, Matt leads the firm's production of syndicated research on mobile gaming. He is a frequent strategic advisor for some of the largest social gaming operators and has acted as an advisor on billions of dollars' worth of M&A transactions in the space. Matt previously held roles at social poker operator Z4 Poker and with several of the largest online casino affiliate companies, including PokerStrategy.com and Catena Media. He is a partner at online casino affiliate Media Techs and was named to Global Gaming Business' 40 Under 40 list for 2023.



Kahlil Simeon-Rose, Ph.D. is an economist and senior consultant at Eilers & Krejcik Gaming. He currently serves as a tenured Associate Professor at Washington State University's Carson College of Business. His research spans topics such as regional economic forecasting, taxation policy, and the socioeconomic outcomes of the gaming industry. Dr. Simeon-Rose's academic background includes a Ph.D. in Hospitality Administration from the University of Nevada, Las Vegas, with a dissertation centered on the economic impact of tax policy. Dr. Simeon-Rose's research portfolio includes 40 peer-reviewed publications in top-tier journals such as Cornell Hospitality Quarterly, Journal of Gambling Studies, and Tourism Management, alongside numerous industry reports.



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Eilers & Krejcik Gaming LLC is an independent research and consulting firm headquartered in Orange County, California. The firm's focus is on product, market, and policy analysis related to the global gaming market, inclusive of regulated real money gambling, social gaming, and a variety of adjacent verticals.

The firm's market estimates and research on social gaming have been cited in mainstream media and throughout operator earnings reports. Clients include operators, suppliers, private equity and venture capital firms, institutional investors, and state governments. EKG is a trusted partner of several active funds and has advised on commercial due diligence processes for billions of dollars' worth of deals within the mobile gaming space.

Firm executives Adam Krejcik and Matt Kaufman work closely alongside many of the largest mobile gaming firms to help identify targets and execute on M&A, make investments in startups, develop and improve on products, and adjust business strategy in a rapidly changing global marketplace.



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