



Eilers & Krejcik
Gaming

Impact of Social Plus in Virginia

Prepared for the Social Gaming Leadership Alliance

February 2026

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1841-1844 * WAR BETWEEN THE STATES 1898-1899 * SPANISH WAR 1898
1954 * VIETNAM 1962-1975 * DOMINICAN REPUBLIC

Executive Summary

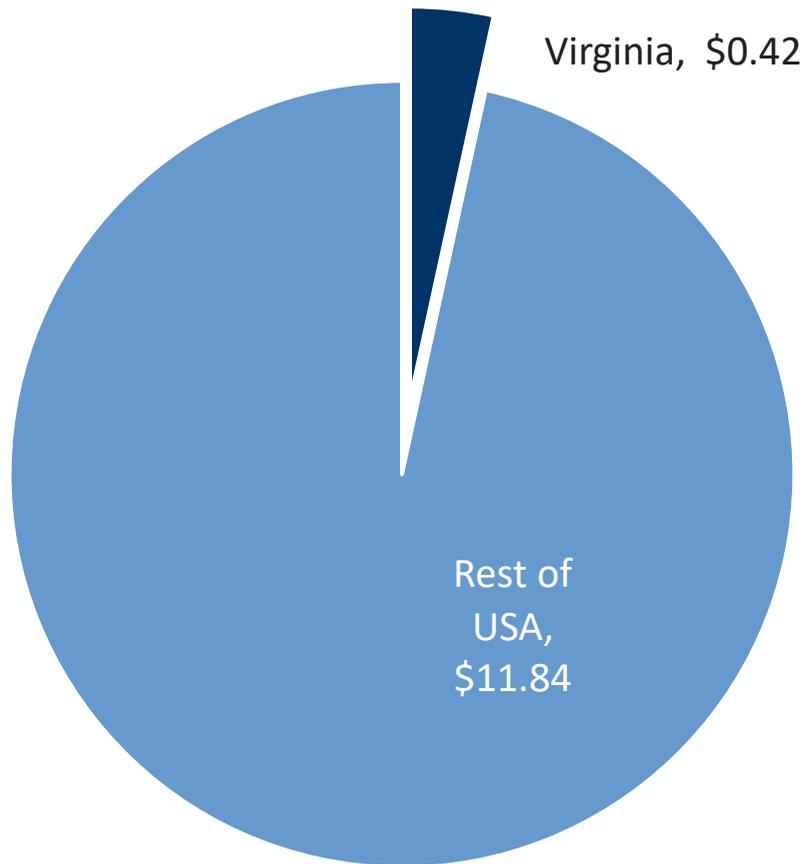
Eilers & Krejcik Gaming was engaged by the Social Gaming Leadership Alliance to research and model the economic impact of Social Plus in the USA, with a focus on Virginia. A summary of our findings is below; these topics are explored in detail throughout this report, and details on methodology are available towards the end of this report. A disclosure related to our firm's involvement with the industry can be found on the Authors page.

- **Social Plus** is a category of casino-styled social games 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 Plus operators will generate **\$12.5bln in sales in 2025**, of which **Virginia accounts for about \$423mm**. Our estimate for total market net revenue (removing the cost associated with player prizes) is **\$4.0bln, about \$135mm from Virginia**. 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).
- **Current economic benefit.** The Social Plus industry generates **more than \$1.8bln in combined direct and indirect nationwide impact** through suppliers annually – i.e., excluding direct job creation within the industry itself. This includes an estimated **\$1.468bln in direct spending** on: 1) marketing with USA-based ad networks, social media companies, streaming services, and affiliate companies like VA-based Oddsjam, which we estimate at \$870mm; 2) payment processing fees to USA-based businesses including card networks, payment processors, and card issuers/acquirers like VA-based Capital One which we estimate at \$423mm, and 3) hosting fees with USA-based companies like Amazon, Microsoft, and Google – each of which operates large data centers located in Virginia – which we estimate at \$175mm. The industry supports an additional \$348mm in estimated indirect household earnings, supporting over 2,762 USA-based jobs at companies throughout the supply chain. Our methodology (described in more detail towards the end of this report) uses Bureau of Economic Analysis RIMS II economic multipliers for each respective part of the supply chain and doesn't attempt to include the entire chain, leading to estimates that we believe are more likely to understate than overstate the aggregate economic impact.
- **Additional potential revenue streams.** Virginia has additional opportunities to capture increased economic value from social casinos with sweepstakes via regulation. We estimate that the introduction of operator registration/licensing and collection of a tax on player purchases **could generate over \$30mm 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.

Virginia's Share of Social Plus Market

Key Takeaway: We estimate Virginia's Social Plus player purchases at \$423mm in 2025, roughly 3.4% of the total U.S. market. Our estimate for Virginia is driven by an eligible population of ~6.5 million adults aged 21 and over, its disposable income of \$87,596 per eligible player, and widespread internet access (89.9% of households have broadband internet).

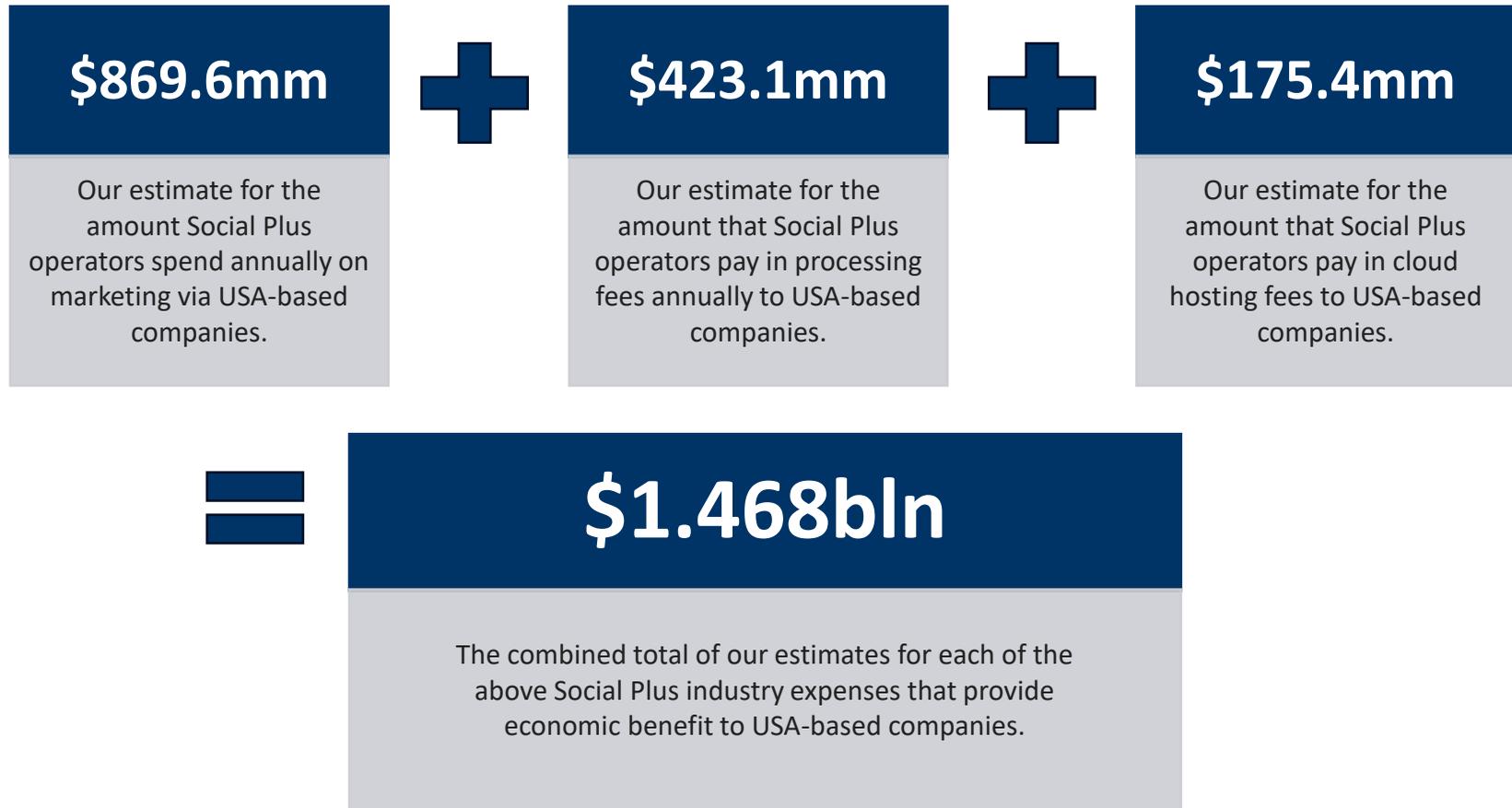
Social Plus Market Size – Virginia as Share of Total USA Revenue (in Billions of USD)



Noteworthy Inputs/Details:

- **Operator Data:** Operators representing a majority of the total market provided data reviewed by Eilers & Krejci Gaming.
 - Virginia estimates account for all major tracked operators with no significant exclusions.
- **Population:** ~6.5mm eligible adults (21 and over).
- **Income:** \$87,596 average disposable income per eligible adult (2023 Bureau of Economic Analysis data).
- **Broadband:** 89.9% 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.

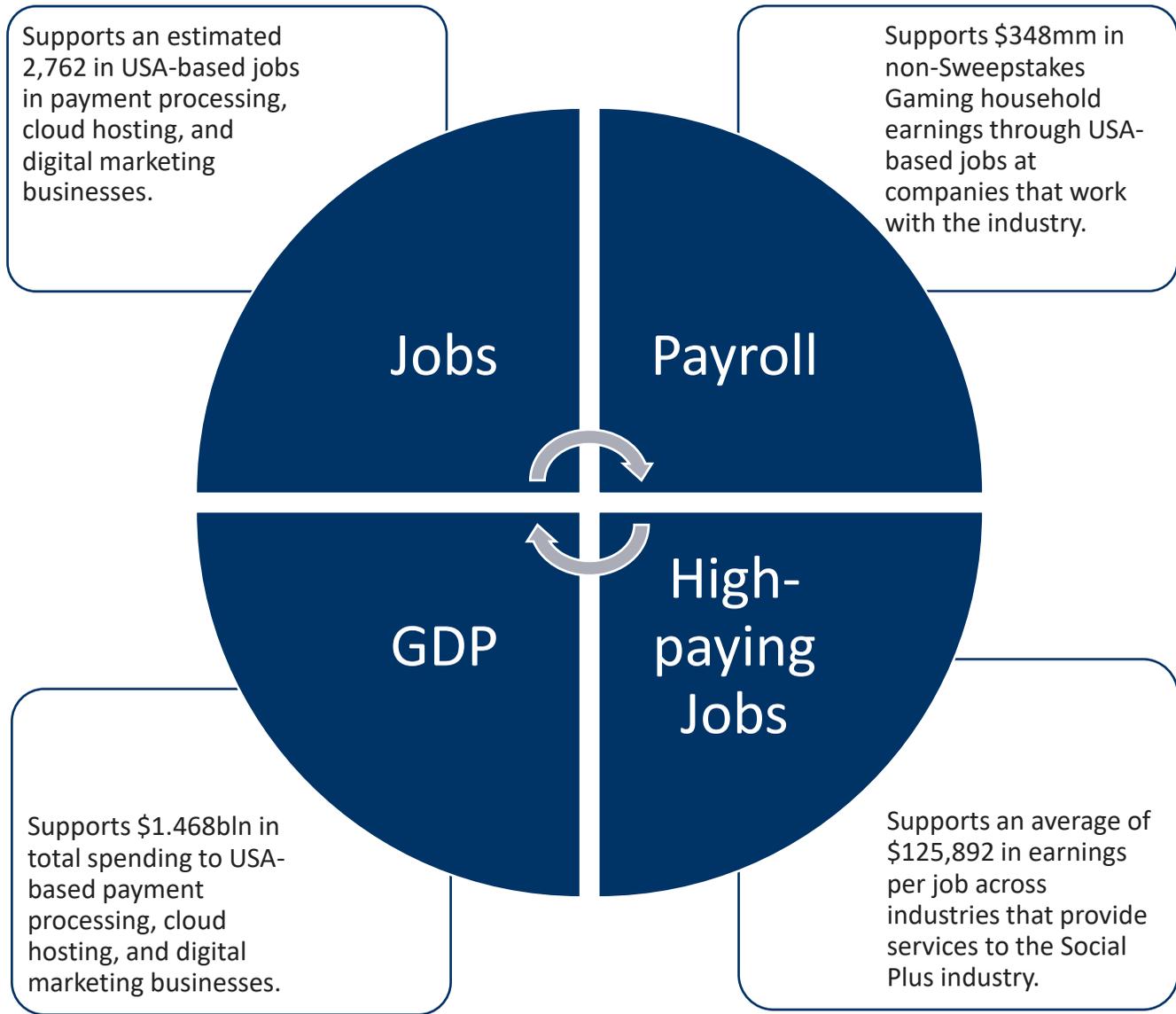
Total Economic Impact of Select Major Supply Chain Components



EKG Insight: Our list of supply chain components above does *not* represent a comprehensive list of areas through which economic benefit is provided via the Social Plus industry. We include these estimates to help demonstrate the scale of the direct and indirect economic benefit being provided by the industry nationwide.

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 Plus industry, **we expect that there are additional large and meaningful indirect economic impacts as a result of economic activity by USA-based vendors and the employees of those vendors within their local communities.**

Note: We conducted due diligence on actual suppliers for several key operators (e.g., hosting via AWS/Google, marketing via Meta/Google, payment processing via Visa). These 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 Plus 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.

Potential Revenue via License/Registration Fees

If Virginia were to require Social Plus operators to register with the state, associated 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/registration fees produce?

Proper introduction of a fee to operate would require a dedicated study that includes communicating with potential registrants 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 Social Plus operators.

In online casino markets, the median license fee among the six states that charge such a fee (Delaware's online casino market is state-run and controlled by the Delaware Lottery, so there is no fee) is **\$250,000**. Daily Fantasy Sports (DFS) licensing fees are much lower (often in the tens of thousands).

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 to avoid too few registrants. Inversely, if the fee is too inexpensive, the number of potential registrants could escalate to an undesirable level that creates more regulatory overhead than is desirable.

We ran figures with several price points; in the absence of a more robust study, we believe **\$100,000/year 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 from applying.

At that price point, an operator with a 10% EBITDA margin would need to earn \$1.0mm+ per year in Virginia sales for a given brand to break even; if the operator does 3.4% of their business in Virginia (our est. of VA share of the nationwide market), operators generating \$29.4mm annually or greater could reasonably consider applying. Due to the top-heavy distribution of revenue in this market between brands, we believe most top-10 operators would register 2-3 brands, and that **total revenue generation would likely fall into the range of \$3-5mm/year**. 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 Virginia – and it's an approach that scales alongside growth of the space.

Virginia's statewide sales tax of 5.3% (including the state sales tax of 4.3% and the mandatory local option tax of 1.0%) would create revenue for the state without being a deterrent to operators. The math on what that would generate is simple:

$\$423\text{mm in Virginia revenue} * 5.3\% \text{ player purchases tax} = \$22.4\text{mm in annual tax revenue}$

Some counties in Virginia add additional sales tax; the highest rate in the state is 7.0% in places including Williamsburg, York County, and James City County. There are some states with similar applicable rates already being applied on the sale of digital in-game currency; we therefore do not believe operators would be deterred by implementing a player purchases tax at this higher rate:

$\$423\text{mm in Virginia revenue} * 7.0\% \text{ player purchases tax} = \$29.6\text{mm in annual tax revenue}$

As a point of comparison, a 7.0% tax on player purchases equates to a higher effective tax rate if viewed relative to net revenue. If you deduct the cost of prizes redeemed by sweepstakes customers in Minnesota (approximately 68% of gross revenue) to arrive at net revenue, the **\$29.6mm in tax revenue is equal to about 21.9% of our estimate of the net revenue** (\$135.3mm) that Social Plus operators generated in Virginia in 2025.

Summary of Potential Virginia Revenue Streams

By charging operators license/registration fees and taxing player purchases at Social Plus operators, Virginia could generate north of \$30mm in annual revenue based on current market levels. It's easy to imagine that escalating in the future via 1) operators developing relationships with local businesses for promotions, 2) operators gaining access to advertise on marketing channels that require proof of a license to advertise casino-styled content, and 3) more social casino operators joining the Social Plus market via leveraging sweepstakes contests.

Key Takeaway: Introduction of an annual license/registration fee and a player purchases tax – both of which would largely be paid by operators who are based out-of-state – could bring **direct economic benefit of more than \$30mm a year to Virginia** – and that excludes Virginia's component of other parts of the supply chain serving the industry.

Source: Eilers & Krejcik Gaming, LLC



Case Study: Michigan

Data from Michigan strongly implies that Social Plus doesn't have a material negative impact on online casinos (iGaming)

Case Study: Michigan (1/2)



To analyze whether Social Plus games cannibalize regulated online casinos, we decided to focus on online casino performance in Michigan. That choice was made because Michigan is the only state in which: 1) there is a regulated online casino market, and 2) a large majority of Social Plus operators ceased serving customers in the state within a short window of time.

Most of the Social Plus market stopped operating in Michigan at the end of 2023. If we were to simply compare online casino revenue generation in Michigan before and after that point in time, that would be insufficient to draw conclusions due to the impact of external economic factors that could skew results. However, that type of comparison can be extremely informative if normalized by comparing the results vs. like figures in other states with online casinos.

In other words, while Michigan's online casino revenue grew at a healthy pace each year from 2022 through 2025, that isn't sufficient to draw the conclusion that the impact of Social Plus was minimal without comparing it to like growth rates in other markets.

On the next page, we show data for Michigan and all 5 other online casino states which have been online since at least 2022 (the only live online casino state this excludes is Rhode Island, where online casinos launched in March 2024).

If Social Plus products were cannibalizing revenue from Michigan's online casinos, their departure at the end of 2023 would theoretically give Michigan an advantage on other states when comparing the 2-year period before (2022/2023) to the 2-year period after (2024/2025) operator departures.

Source: Eilers & Krejcik Gaming, LLC

Case Study: Michigan (2/2)

The data below compares two-year periods (the maximum available amount of data) on a quarterly basis for all six online casino states that have been operating for this time frame. We also provide the nationwide total across these states in aggregate. Delaware's extreme outlier performance was due to the Delaware Lottery transitioning to BetRivers as its platform provider.

Casino + Poker Revenue Over 2-Year Periods: 2022/2023 vs. 2024/2025 (Q1 = 1Q22 vs. 1Q24, Q2 = 2Q22 vs 2Q24, etc.)

	Q8	Q7	Q6	Q5	Q4	Q3	Q2	Q1	2024/2025 Total vs. 2022/2023 Total
Delaware	943.52%	714.50%	721.81%	641.13%	637.08%	402.52%	346.90%	350.88%	605.60%
West Virginia	133.15%	173.60%	135.16%	114.38%	123.35%	111.41%	123.10%	119.18%	130.27%
Connecticut	57.72%	83.41%	83.49%	74.58%	82.47%	93.73%	97.05%	93.95%	80.96%
Pennsylvania	58.39%	63.15%	64.50%	62.14%	60.62%	65.76%	54.36%	64.68%	61.64%
Michigan	63.02%	63.66%	60.58%	54.36%	57.27%	52.92%	50.72%	55.73%	57.66%
New Jersey	51.63%	55.79%	51.75%	45.99%	47.41%	49.21%	39.59%	37.78%	47.73%
Nationwide Avg (Ex-Rhode Island)	61.51%	66.49%	63.89%	58.53%	59.63%	60.29%	52.87%	56.78%	60.29%

The primary conclusion of the comparison is in the last column, which is the total change for the full two-year period after Social Plus operators stopped operating in Michigan (2024/2025) vs. the full two-year period before (2022/2023). Despite Social Plus operators no longer serving the state, Michigan's regulated online casino revenue growth for the full comparison period was 2nd-worst among the 6 U.S. online casino markets that were live for the full comparison period. The only state with less growth was New Jersey, the oldest and most saturated online casino market in the country. Michigan's 1Q21 launch is the 2nd-newest to Connecticut which launched in 3Q21.

If Social Plus operators had a material negative impact on Michigan's online casino market, one would expect the removal of those products to have had a positive impact on Michigan's growth when they left, helping it outperform growth in other states. The opposite is true; Michigan slightly underperformed vs. the national average and only beat the most developed market in the country. While the table above uses 2-year comparison periods to show maximum data, the conclusions are identical if comparing only 2023 vs. 2024 (the year before and after Social Plus operators stopped serving the state). While this analysis doesn't lead to a 100% firm conclusion, **the data strongly implies a low likelihood that Social Plus products have a significant impact on regulated online casinos.**

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.

Disclosure

Eilers & Krejcik's owners are founders/investors in EKG Ventures, an investment company which has investments in companies including operators of social games, analytics platforms, lottery courier services, fantasy sports products, Social Plus products, and a variety of other gaming industry businesses. EKG Ventures operates separately from Eilers & Krejcik Gaming, aside from its mutual ownership. The authors of this report are not involved with EKG Ventures and have no financial exposure to it. Eilers & Krejcik Gaming produces market research and offers consulting services to operators of a wide variety of gaming products, including Social Plus operators.



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