

Notable Gaming Fintech Merger

1 Merger Participants & Transaction Structure

On Thursday, 2/29/2024, IGT and Everi announced a merger



Company Overview

IGT (NYSE: IGT) designs and develops gaming solutions such as slot machines, lottery systems, and digital platforms for casinos globally.



Company Overview

Everi (NYSE: EVRI) provides gaming machines, compliance and loyalty technology, and cash management solutions to casino operators primarily in the U.S.

IGT Global Lottery

(100% owned by IGT shareholders)

IGT Global Gaming & PlayDigital

+

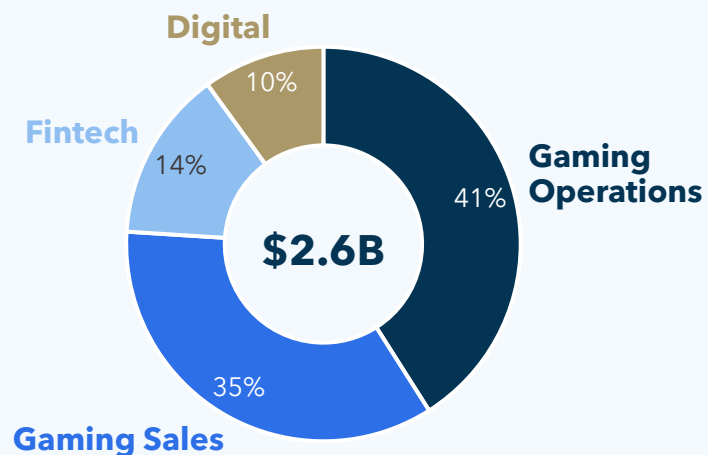
Everi Games & Fintech

(54% owned by IGT shareholders / 46% by Everi shareholders)

Deal Highlights

- The deal values the combined business at an enterprise value of **c.\$6.2 billion**.
- IGT CEO Vince Sadusky will head the combined company with key executives on both sides remaining in leadership roles.
- Everi Executive Chairman Michael Rumbolz will be the Chairman of the Board of the combined company.
- The transaction remains subject to regulatory and shareholder approval but is **expected to close in late 2024 or early 2025**.
- IGT Global Lottery will remain a standalone business.

Pro Forma Revenue Merged entity, LTM Q3 2023



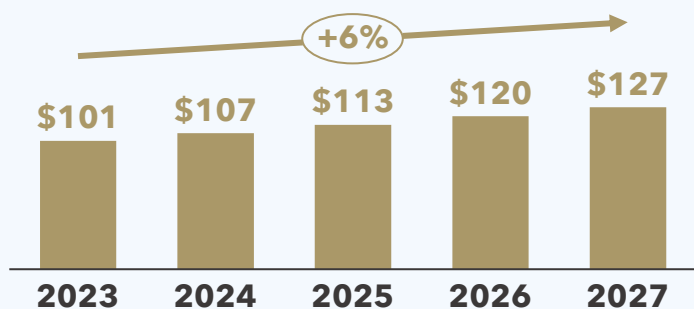
Source: IGT disclosures
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Land-based Gaming is a Unique Fintech Vertical, Now With IGT + Everi at its Core

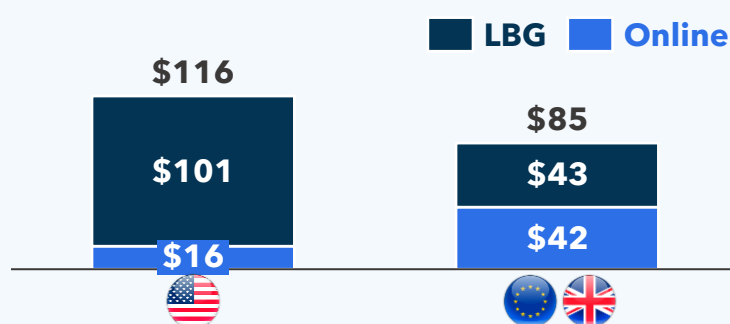
- Land-based gaming is a **unique payments opportunity** with specific product requirements, an attractive revenue profile, and specialized set of providers.
- The proposed merger combines Everi's **market-leading set of verticalized payments products** with a **leading CMS and games proposition (IGT)**.
- The combined entity **strengthens Everi's competitive moat in payments and fintech** and introduces compelling expansion opportunities.
- The combined company expects to deliver **sustained mid-single-digit growth** and improve operating leverage over time.

Land-Based Gaming: The Payments Opportunity

2 U.S. Land-Based Gross Gaming Revenue (\$ in bil.)



3 U.S. & Europe Gross Gaming Revenue by Segment (2023, \$ in bil.)



Sources: AGA, NIGC, EGBA, Flagship market observations © Flagship Advisory Partners March 2024

Land-based Gaming Has Huge Scale, Solid Growth

- Gaming operators make more than **\$100B of gross gaming revenue** from land-based environments (excluding online) **in the U.S. alone.**
- The US land-based gaming (LBG) market is **significantly larger than US online gambling**, but this is not consistent in Europe.
- 95%+ of LBG spend in the U.S. (excluding markers) **remains cash-based.** The opportunity for fintechs to drive **displacement of this cash is massive.**

4 Land-Based Gaming Payment Methods and Utility

	Pay @ Table	Pay @ Gaming Machine	Pay @ Kiosk	Pay @ Cage	Payout	Pay Online	Guaranteed Payment	Integrated Loyalty	Integrated KYC
Cash	✓	✓	✓	✓	✓	✗	✓	✗	✗
TITO Ticket	✗	✓	✓	✓	✗	✗	✓	✗	✗
Wallet	✓	✓	✓	✓	✓	✓	✓	✓	✓
Debit Card	✓	✗	✓	✓	✓	✓	✓	✗	✗
Credit Card	✓	✗	✓	✓	✗	✓	✓	✗	✗*
A2A	✓	✓	✗	✗	✓	✓	✓	✗	✓
ACH / Check	✗	✗	✗	✓	✗	✗	✗	✗	✓*
Marker	✗	✗	✗	✓	✗	✗	✗	✓	✓*

* Cash advance or check / ACH payments do require full KYC in order to affect the use case.

Sources: Flagship market observations © Flagship Advisory Partners March 2024

✓	Sometimes
✓	Yes
✗	No

- Casinos remain cash-based today**, given its ubiquity, anonymity, and profitability for casinos (who earn most of the cash access fees).
- TITO tickets are a good cashless substitute vs. coins** but have the limitations of paper.
- Cards increase velocity** of funds, including the cash advance option, but come with regulatory restrictions in gaming, issuer dependencies, and **high cost.**
- Wallets reduce friction and cover all use cases including integrations with loyalty, KYC, and gaming systems.** Wallets are not yet reaching their potential in LBG, however, given more challenging sign-up and integration requirements, and patrons being used to cash.

Land-Based Gaming: Cashless Wallets

Wallets Hold Massive Potential to Drive a Cashless Casino Future

- Wallets hold a massive opportunity to displace cash in LBG. Wallets introduce **powerful feature advantages for gamers** (e.g. integrated loyalty), reduce friction and increase velocity for operators, and the often-native KYC helps to promote responsible gaming standards.
- However, the cash-to-wallet transition has been slow to date due to:
 - **Mixed operator incentives:** Casinos today earn a great deal from cash access and advance fees; the shift to cashless will reduce this revenue stream. On the other hand, operators recognize the future is cashless and see the velocity benefits of a purely digital UX.
 - **Ingrained consumer behaviors take time to change:** Casino patrons are ingrained in their behaviors for cash and tickets. Such ingrained behaviors can take many years to change. We see the operators as the key force for change with more active wallet promotions and value as the catalyst for the inevitable move to cashless.
- Various fintechs and casino platforms are competing to **win the battle to own the wallet**. Below we illustrate the different forms of wallets and key actors in this landscape.

5 Positioning to Win the Massive LBG Wallet Opportunity

Account-Based Wallets

- Account-based wallets require patrons to sign-up and fund a stored-value account. Often white-labeled to the operator, these wallets can integrate throughout the casino including kiosks, tables, cages, and retail/hospitality.
- Broad use case coverage, integrated loyalty, and native KYC makes this form of wallet a powerful platform.

Direct Load Wallets

- Direct load wallets take various forms. They differ from account-based in that patrons can fund play on machines directly from their bank account or a virtual TITO ticket, rather than first uploading funds to a stored account.
- This form of wallet is nascent today with usability and compliance still to be proven in LBG.

General Purpose & iGaming Wallets

- General purpose wallets are not commonly accepted in casinos today. In fact, many forms of wallets, such as Apple Pay, are not usable for gambling.
- But wallets are commonly used in iGaming, so there is a natural bridge for these wallets to promote LBG usage to their users assuming they can align with operators and integrate to deliver on the specific use cases.

Relevant Participants



Relevant Participants



Relevant Participants



Source: Flagship market observations
Note: Casino Management System providers are excluded.

Navigating fintech innovation

Flagship Advisory Partners is a boutique strategy and M&A advisory firm focused on payments and fintech. We serve clients globally and have a team of 30+ professionals who have a unique depth of knowledge in payments and fintech.



Thank You!

For any questions, please do not hesitate to contact the authors:



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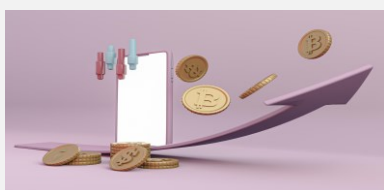
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