

# Tatts Group (TTS.AX / TTS AU)

Rating	<b>UNDERPERFORM</b>
Price (18-Feb,A\$)	4.00
Target Price (A\$)	3.45
Target price ESG risk (%)	0.0
Market cap (A\$mn)	5,858.1
Yr avg. mthly trading (A\$mn)	315.5
Projected return:	
Capital gain (%)	-13.7
Dividend yield (net %)	6.9
Total return (%)	-6.8

\*Stock ratings are relative to the relevant country benchmark.

\*Target price is for 12 months.

## Research Analysts

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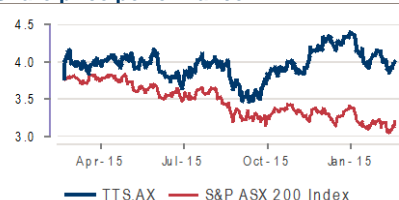
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## EARNINGS

### 1H16 results in line, supported by Lotteries

- **Lottery: Small FY16 upgrade on already strong growth forecast.** Tatts is actively driving Lottery revenue with new products and intense on-line marketing. A solid string of jackpots in the DecQ helped attract players. Revenue growth was 10% up on pcp. On-line growth was 35%.
- **Wagering: Small FY16 downgrade on weaker-than-expected revenue.** We are yet to see a moderation of revenue erosion. Weakness persists in regional QLD retail betting shops. Tatts is stimulating better turnover on-line with free bets, but this has not yet translated into revenue growth. We remain optimistic that TTS can stimulate its existing customer base and forecast 3.5% revenue growth in FY17. It need not win new customers.
- **Management confirmed TAH/TTS merger synergy at A\$100mn.** But for now, a deal seems unlikely given that: (1) TAH's share price is about 4% lower than when merger talks ceased and (2) the strategically important WA TAB may soon be auctioned. Moreover TAH seems undervalued while TTS seemed overvalued based on our current DCF assumptions.
- **DCF-based target price remains A\$3.45** and we regard TTS as overvalued although the Lottery division is dynamically managed and growing nicely. Our valuation includes A\$250mn of value creation assuming a successful renewal of the VIC lotteries licence (to expire on 30 June 2018). We also terminate the NSW monitoring revenues from date of licence expiry on 30 November 2016 and assume an unsuccessful tender there. Finally, our forecast incorporates a 25c special dividend associated with a successful High Court defence of the A\$540mn VIC poker machine claim. The implied multiple for the continuing (ex-VIC) Lottery EBITDA is 16x FY17.

## Share price performance



On 18-Feb-2016 the S&P ASX 200 Index closed at 4991.997

On 18-Feb-2016 the spot exchange rate was A\$1.4/US\$1

Performance	1M	3M	12M
Absolute (%)	0.251	-3.61	3.36
Relative (%)	-1.56	1.41	18.97

## Financial and valuation metrics

Year	6/15A	6/16E	6/17E	6/18E
Revenue (A\$ mn)	2,920	3,087	3,163	3,243
EBITDA (A\$ mn)	507	523	534	544
EBIT (A\$ mn)	420	437	447	459
Net Income (Adj.) (A\$ mn)	256	275	275	276
EPS (Adj.) (A\$)	0.18	0.19	0.19	0.19
Change from previous EPS (%)	n.a.	0.2	1.4	(0.1)
EPS growth (%)	10.5	6.1	(0.2)	(0.1)
Consensus EPS (A\$)	0.18	0.19	0.20	0.21
P/E (x)	22.6	21.3	21.4	21.4
Dividend (A\$)	0.17	0.43	0.19	0.18
Dividend yield (%)	4.1	10.8	4.8	4.5
Price/Book (x)	2.0	1.7	1.9	1.9
Net debt/EBITDA (x)	1.3	1.5	2.1	2.0

Source: Company data, Thomson Reuters, Credit Suisse estimates

**DISCLOSURE APPENDIX AT THE BACK OF THIS REPORT CONTAINS IMPORTANT DISCLOSURES, ANALYST CERTIFICATIONS, AND THE STATUS OF NON-US ANALYSTS.** US Disclosure: Credit Suisse does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the Firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Figure 1: Financial Summary

Share Price: A\$4.00

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Rating	UNDERPERFORM	
Target Price	A\$	3.45
vs Share price	%	-13.75

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Tatts Group is an Australia-based company. It is engaged in the operation of licensed gaming machines, conducting wagering and sports betting, conducting gaming machine monitoring and supply of jackpot and other services.

Profit & Loss	06/14A	06/15A	06/16E	06/17E	06/18E
Sales revenue	2,868.9	2,919.9	3,087.0	3,163.2	3,243.4
EBITDA	498.4	507.4	523.4	533.8	543.9
Depr. & Amort.	(83.9)	(87.1)	(86.9)	(86.3)	(84.6)
EBIT	414.5	420.3	436.5	447.5	459.3
Associates	0.0	0.0	0.0	0.0	0.0
Net interest Exp.	(87.9)	(54.2)	(41.3)	(52.4)	(62.7)
Other	0.0	0.0	0.0	0.0	0.0
Profit before tax	326.6	366.1	395.2	395.1	396.6
Income tax	(100.0)	(110.3)	(120.5)	(120.5)	(121.0)
Profit after tax	226.6	255.8	274.7	274.6	275.6
Minorities	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Preferred dividends	0.0	0.0	0.0	0.0	0.0
Associates & Other	0.0	0.0	0.0	0.0	0.0
Normalised NPAT	226.6	255.8	274.7	274.6	275.6
Unusual item after tax	(26.2)	(3.8)	377.5	0.0	0.0
Reported NPAT	200.4	252.0	652.1	274.6	275.6

Balance Sheet	06/14A	06/15A	06/16E	06/17E	06/18E
Cash & equivalents	583.3	259.1	225.9	241.1	171.6
Inventories	8.2	3.7	3.9	4.0	4.0
Receivables	132.5	80.6	82.8	83.8	84.1
Other current assets	187.0	212.6	220.5	226.2	231.4
Current assets	910.9	556.1	533.1	555.1	491.1
Property, plant & equip.	205.6	210.2	251.6	326.5	368.2
Intangibles	4,540.0	4,652.5	4,609.5	4,566.6	4,523.6
Other non-current assets	43.6	106.5	106.5	106.5	106.5
Non-current assets	4,789.2	4,969.3	4,967.6	4,999.5	4,998.2
Total assets	5,700.2	5,525.3	5,500.7	5,554.7	5,489.3
Payables	591.0	598.5	632.8	648.4	652.4
Interest bearing debt	1,359.3	925.2	990.0	1,360.0	1,260.0
Other liabilities	913.8	1,030.5	489.5	489.5	489.5
Total liabilities	2,864.1	2,554.3	2,112.3	2,497.9	2,401.9
Net assets	2,836.0	2,971.1	3,388.5	3,056.8	3,087.5
Ordinary equity	2,836.0	2,971.1	3,388.5	3,056.8	3,087.5
Minority interests	0.0	0.0	0.0	0.0	0.0
Preferred capital	0.0	0.0	0.0	0.0	0.0
Total shareholder funds	2,836.0	2,971.1	3,388.5	3,056.8	3,087.5
Net debt	776.0	666.2	764.1	1,118.9	1,088.4

Cashflow	06/14A	06/15A	06/16E	06/17E	06/18E
EBIT	414.5	420.3	436.5	447.5	459.3
Net interest	-84.7	-48.9	-41.3	-52.4	-62.7
Depr & Amort	83.9	44.4	86.9	86.3	84.6
Tax paid	-114.9	-84.0	-282.7	-120.5	-121.0
Working capital	87.2	69.1	18.9	6.4	-62.1
Other	-107.7	38.9	3.8	2.4	0.6
Operating cashflow	278.4	439.8	222.1	369.7	298.7
Capex	-75.4	-64.4	-85.3	-80.7	-83.2
Capex - expansionary					
Capex - maintenance					
Acquisitions & Invest	0.0	-37.5	0.0	-37.5	0.0
Asset sale proceeds	0.3	34.3	0.0	0.0	0.0
Other	-0.6	0.0	0.0	0.0	0.0
Investing cashflow	-75.7	-67.6	-85.3	-118.2	-83.2
Dividends paid	-126.6	-121.0	-248.7	-630.0	-272.2
Equity raised	0.0	2.4	13.9	23.7	27.2
Net borrowings	-300.0	-520.0	64.8	370.0	-40.0
Other	540.5	0.0	0.0	0.0	0.0
Financing cashflow	113.9	-638.6	-170.0	-236.2	-285.0
Total cashflow	316.6	-266.4	-33.2	15.3	-69.6
Adjustments	14.8	0.9	0.0	0.0	0.0
Net change in cash	331.5	-265.5	-33.2	15.3	-69.6

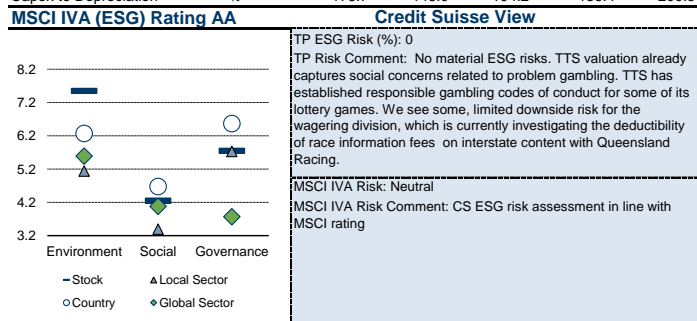
Source: Company data, Credit Suisse estimates

<b>Earnings</b>		<b>06/14A</b>	<b>06/15A</b>	<b>06/16E</b>	<b>06/17E</b>	<b>06/18E</b>
Equiv. FPO (period avg.)	mn	1,417.3	1,447.1	1,464.2	1,466.0	1,472.7
EPS (Normalised)	c	16.0	17.7	18.8	18.7	18.7
EPS Growth	%		10.5	6.1	-0.2	-0.1
EBITDA Margin	%	17.4	17.4	17.0	16.9	16.8
DPS	c	13.5	16.5	43.0	19.0	18.0
Payout	%	84.4	93.3	229.2	101.4	96.2
Franking	%	100.0	100.0	80.5	100.0	100.0
Free CFPS	c	14.3	25.9	9.3	19.7	14.6
Effective tax rate	%	30.6	30.1	30.5	30.5	30.5

<b>Valuation</b>						
P/E	x	25.0	22.6	21.3	21.4	21.4
PEG	x	-9.3	2.1	3.5	-137.8	-328.8
EV/EBIT	x	16.0	15.5	15.2	15.6	15.1
EV/EBITDA	x	13.3	12.9	12.7	13.1	12.8
Dividend Yield	%	3.4	4.1	10.8	4.8	4.5
FCF Yield	%	3.6	6.5	2.3	4.9	3.7
Price to Book	x	2.0	2.0	1.7	1.9	1.9

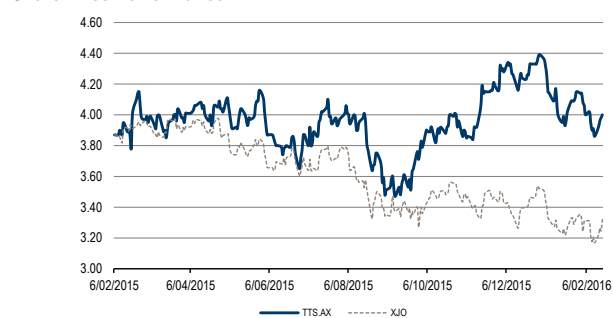
<b>Returns</b>						
Return on Equity	%	8.0	8.6	8.1	9.0	8.9
Profit Margin	%	7.9	8.8	8.9	8.7	8.5
Asset Turnover	x	0.5	0.5	0.6	0.6	0.6
Equity Multiplier	x	2.0	1.9	1.6	1.8	1.8
Return on Assets	%	4.0	4.6	5.0	4.9	5.0
Return on Invested Cap.	%	8.0	8.1	7.3	7.4	7.6

<b>Gearing</b>						
Net Debt to Net debt + Equity	%	21.5	18.3	18.4	26.8	26.1
Net Debt to EBITDA	x	1.6	1.3	1.5	2.1	2.0
Int Cover (EBITDA/Net Int.)	x	5.7	9.4	12.7	10.2	8.7
Int Cover (EBIT/Net Int.)	x	4.7	7.8	10.6	8.5	7.3
Capex to Sales	%	2.6	2.2	2.8	2.6	2.6
Capex to Depreciation	%	176.7	146.0	194.2	186.4	200.3



Source: MSCI ESG Research

## Share Price Performance



Absolute Relative	1 Month	3 Month	12 Month
	0.3%	-3.6%	3.4%
	-1.6%	1.4%	19.0%

Source: Reuters 52 week trading range: 3.47-4.39

## Lotteries: Another solid performance, good growth ahead

**Lotteries 1H16 EBITDA was solid and we made small upgrades to FY16.** Revenue growth of 9.6% translated to EBITDA growth of 10.3%. Tatts not only benefited from an extraordinary jackpot sequence, particularly in the Dec Qtr, but also from two newly launched games *Lucky Lotteries* (launched outside NSW) and *Set for Life* (National launch). Both performed to or exceeded management expectations and are driving sales amongst a younger demographic, particularly in the high-margin digital channel. Digital represented 17% of Lucky Lotteries sales and 22% of Set for Life sales during the half, well above the group average of 13%.

**Figure 2: Tatts Powerball and Oz Lotto Jackpots >=A\$15mn**

	1H14	2H14	FY14	1H15	2H15	FY15	1H16
Powerball Jackpot weeks at and above \$15mn	9	6	15	11	7	18	12
Oz Lotto Jackpot weeks at and above \$15mn	12	8	20	7	9	16	12
<b>Total jackpots</b>	<b>21</b>	<b>14</b>	<b>35</b>	<b>18</b>	<b>16</b>	<b>34</b>	<b>24</b>

Source: Company data

**Looking to 2H16, we are optimistic of another solid performance** projecting 2H16 Lotteries EBITDA growth of 6%. Tatts' jackpot sequence for the 2H16 ytd is tracking well ahead of pc. So far there have been six jackpots at or above A\$15mn, vs three last year. The average size has been A\$30mn vs A\$18.3mn last year. The 2H15 comp of 16 jackpots >=A\$15mn is not particularly challenging or lucky (1H16 had 24 jackpots >=A\$15mn).

Tatts also has a number of other initiatives to stimulate growth in 2H16, including new website and app, expanded roll out of distribution into convenience stores.

**Tatts did caution about margin expansion from digital growth.** With growing digital sales comes savings in commissions Tatts needs to pay to retailers, however, during the half Tatts reinvested much of these savings into Facebook campaigns and Google search engine optimisation. Tatts indicated this spend was a few million dollars, broadly consistent with the commission saving Tatts would have received.

Tatts will also need to grow the dollar value of commissions over time, in our view. Tatts' agency network is responsible for nearly 87% of sales and therefore an integral part of its distribution. It would not be in Tatts' interest to see falling commissions contribute to agency closures.

## Wagering: Revenue unlikely to grow in 2H16

**Wagering revenue seems unlikely to grow in 2H16.** We had anticipated that Tatts could return its wagering business to growth in 2H16 with easy 2H15 comps and benefits of its substantial wagering investment. But, while Tatts is exhibiting growth in *turnover*, it is not yet translating to actual player loss or wagering revenue. Punters are using Tatts' free bets and promotions to increase their turnover, but it seems they are yet to make additional deposits or bets on their own accord.

**Based on Tatts' disclosure 2H16 ytd, wagering revenue could be down 2%,** despite turnover growth of nearly 4%. Tatts disclosed that its book yields had fallen to 14.7% for the 2H16 ytd, relative to 15.6% in 2H15 and 15.2% in 1H16. Similarly, 1H16 turnover grew 3%, but wagering revenue declined nearly 4% as book yields were about 100bps lower.

**We downgraded our 2H16 wagering EBITDA modestly, but we do expect growth on 2H15,** notwithstanding a revenue decline. During 2H15, Tatts' wagering EBITDA margin fell to 21% as it incurred significant one-off costs with the launch of UBET. We assume Tatts' margins are broadly consistent with 1H16 at about 23-24%.

**We feel the wagering business has potential for revenue growth in FY17/FY18.** As Tatts' retail store refurbishment gathers pace we think it can ignite some growth into retail business that has seen significant underinvestment over the past decade. The early signs seem encouraging; Tatts indicated that its new stores generated double digit growth in the weeks following refurbishment. There was no noticeable benefit during 1H16, given that only 54 out of 1,400 venues in the network (~4%) had been refurbished.

Admittedly, there is also risk. Wagering competition has intensified over the past six months and while Tatts has stepped up its investment in marketing and technology, so too have its corporate bookmaking competitors. Indeed the gap in marketing and technology could be widening.

**Tatts' contributions to racing also fell in 1H16, an unsustainable trend in our view.** Total contributions to racing were A\$102.3mn, vs A\$103.6mn in the pcp. Queensland Racing, which depends on wagering program and product fees from Tatts, reported an A\$12mn loss in FY15 and an A\$10mn decrease in cash. The independent auditor also raised the issue of Queensland Racing's ability to operate as a going concern given that it forecast a further A\$28mn loss in FY16. The Queensland Racing Industry is restructuring and reducing costs and this may alleviate financial pressure in the wagering supply chain.

## Valuation – Tatts \$4 SP implies 16.1x for Lotteries

**Figure 3: Tatts' share price currently implies about 16x EBITDA for the lottery business on CS estimates**

Business Component	FY17 EBITDA A\$m	Multiple	Value A\$m	Per Share	Licence Period	Valuation Comment
NSW, QLD, SA Lottery	315.7	16.1x	5,088.4	\$3.47	Qld lottery license expires 2072. Qld Govt agreed not to issue another lottery license until after 2016 without compensating TTS. NSW Lottery expires 2050. SA Lotteries 40 years incl. Keno to 9 Dec. 2052.	TTS paid A\$530m for QLD Lottery in April 2007: 11.6x reported EBITDA, 6.2x EBITDA incl. Synergy. TTS paid A\$850m for NSW Lottery in March 2010 : 12.6x reported EBITDA, 7.0x EBITDA incl. Synergy. Tatts paid A\$427mn for SA Lotteries management contract.
Vic Lottery	40.0	2.5x	100.0	\$0.07	Vic lottery license expire 2018.	Present value after tax of A\$30m-\$40m EBITDA for next 4 yrs. TTS paid A\$19mn in Dec 2007
Vic lottery option			250.0	\$0.17		Potential value created in acquiring Vic Lottery in 2018
Tatts Bet	152.4	7.0x	1,066.7	\$0.73	Qld wagering license, expire 30 June 2098. QLD retail wagering exclusivity to 30 June 2044. SA major betting operators license, exclusive 2016, expire 2100. NT Totalisator license, exclusive 2015, expire 2015. NT sports bookmaker's license expire 2015 (non-exclusive)	99 Year licence and flexible cost sharing with QLD racing industry. We are concerned about potential for rising costs, eroding market share and licence exclusivity payments.
Max gaming	49.0	5.2x	255.0	\$0.17	NSW CMS exclusivity period expire Nov2016, NSW Club links license expire Oct 2017, NSW Hotel links license expire Oct 2019.	NSW Licenses expire between 2016 to 2019. We are concerned about licence renewal success. NSW and part of QLD was sold to TTS for A\$208m in 2005 by TAH. TAB paid A\$13m for the CMS lic. TAB paid A\$17m for the NSW links licences. Longman valued NSW TAB at A\$220m in 2005 which included a terminal value A\$43m for Transaction value on 3 Jan 08 A\$385m. Earnings depressed due to smoking bans and harm minimisation. Bottom of cycle multiple. TTS wrote Talarius down by A\$140m in FY10 accounts.
Talarius	20.9	8.4x	175.0	\$0.12		
Bytecraft	5.8	6.0x	35.1	\$0.02		Maintains machines in QLD and VIC. VIC sales may be contested by competition when TTS loses machine ownership.
Corp	(50.0)	7.0x	(350.0)	(\$0.24)		
Franking Credits on future distributions			929.1	\$0.63		Not included in sum-of-the-parts valuation. Calculated at 50% per distributed credit for DCF purposes.
Entity value			6,620.2	\$4.52		
Net debt as at 30 June 2016			(764.1)	(\$0.52)		
<b>Equity value</b>			<b>5,856.1</b>	<b>\$4.00</b>		

Source: Company data, Credit Suisse estimates

**Companies Mentioned** (Price as of 18-Feb-2016)**Tabcorp Holdings** (TAH.AX, A\$4.21)**Tatts Group** (TTS.AX, A\$4.0, UNDERPERFORM, TP A\$3.45)

## Disclosure Appendix

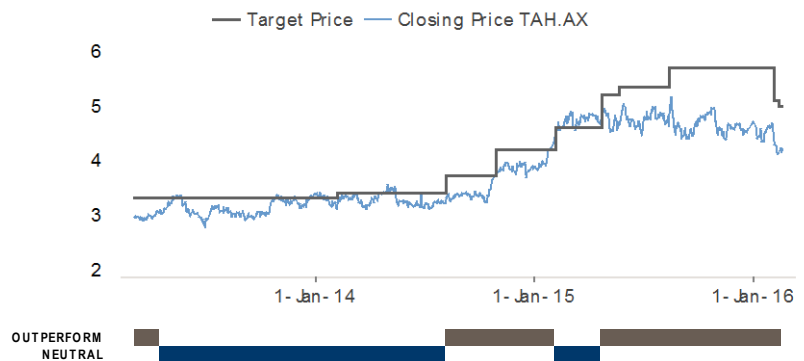
**Important Global Disclosures**

I, Larry Gandler, certify that (1) the views expressed in this report accurately reflect my personal views about all of the subject companies and securities and (2) no part of my compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

**3-Year Price and Rating History for Tabcorp Holdings (TAH.AX)**

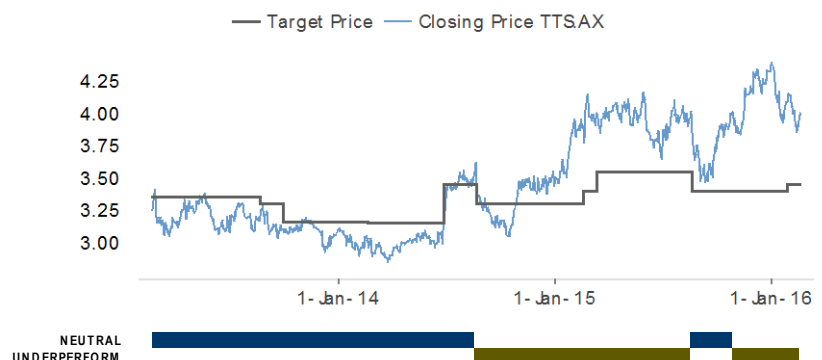
TAH.AX	Closing Price	Target Price	
Date	(A\$)	(A\$)	Rating
05-Mar-13	2.97	3.31	O
17-Apr-13	3.10	3.31	N
06-Feb-14	3.12	3.40	
07-Aug-14	3.32	3.73	O
29-Oct-14	3.73	4.20	
05-Feb-15	4.39	4.60	N
23-Apr-15	4.73	5.20	O
22-May-15	4.66	5.35	
13-Aug-15	4.64	5.70	
04-Feb-16	4.39	5.10	
12-Feb-16	4.15	5.00	

\* Asterisk signifies initiation or assumption of coverage.

**3-Year Price and Rating History for Tatts Group (TTS.AX)**

TTS.AX	Closing Price	Target Price	
Date	(A\$)	(A\$)	Rating
21-Feb-13	3.25	3.35	N
22-Aug-13	3.21	3.30	
30-Sep-13	3.10	3.16	
20-Feb-14	2.96	3.15	
27-Jun-14	3.21	3.45	
21-Aug-14	3.41	3.30	U
18-Feb-15	3.87	3.40	
13-Mar-15	3.99	3.55	
20-Aug-15	3.81	3.40	N
30-Oct-15	3.96	3.40	U
27-Jan-16	4.09	3.45	

\* Asterisk signifies initiation or assumption of coverage.



The analyst(s) responsible for preparing this research report received Compensation that is based upon various factors including Credit Suisse's total revenues, a portion of which are generated by Credit Suisse's investment banking activities

**As of December 10, 2012 Analysts' stock rating are defined as follows:**

**Outperform (O)** : The stock's total return is expected to outperform the relevant benchmark\* over the next 12 months.

**Neutral (N)** : The stock's total return is expected to be in line with the relevant benchmark\* over the next 12 months.

**Underperform (U)** : The stock's total return is expected to underperform the relevant benchmark\* over the next 12 months.

\*Relevant benchmark by region: As of 10th December 2012, Japanese ratings are based on a stock's total return relative to the analyst's coverage universe which consists of all companies covered by the analyst within the relevant sector, with Outperforms representing the most attractive, Neutrals the less attractive, and Underperforms the least attractive investment opportunities. As of 2nd October 2012, U.S. and Canadian as well as European ratings are based on a stock's total return relative to the analyst's coverage universe which consists of all companies covered by the analyst within the relevant sector, with Outperforms representing the most attractive, Neutrals the less attractive, and Underperforms the least attractive investment opportunities. For Latin American and non-Japan Asia stocks, ratings are based on a stock's total return relative to the average total return of the relevant country or regional benchmark; prior to 2nd October 2012 U.S. and Canadian ratings were based on (1) a stock's absolute total return potential to its current share price and (2) the relative attractiveness of a stock's total return potential within an analyst's coverage universe. For Australian and New Zealand stocks, the expected total return (ETR) calculation includes 12-month rolling dividend yield. An Outperform rating is assigned where an ETR is greater than or equal to 7.5%; Underperform where an ETR less than or equal to 5%. A Neutral may be assigned where the ETR is between -5% and 15%. The overlapping rating range allows analysts to assign a rating that puts ETR in the context of associated risks. Prior to 18 May 2015, ETR ranges for Outperform and Underperform ratings did not overlap with Neutral thresholds between 15% and 7.5%, which was in operation from 7 July 2011.



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**Volatility Indicator [V]** : A stock is defined as volatile if the stock price has moved up or down by 20% or more in a month in at least 8 of the past 24 months or the analyst expects significant volatility going forward.

Analysts' sector weightings are distinct from analysts' stock ratings and are based on the analyst's expectations for the fundamentals and/or valuation of the sector\* relative to the group's historic fundamentals and/or valuation:

**Overweight** : The analyst's expectation for the sector's fundamentals and/or valuation is favorable over the next 12 months.

**Market Weight** : The analyst's expectation for the sector's fundamentals and/or valuation is neutral over the next 12 months.

**Underweight** : The analyst's expectation for the sector's fundamentals and/or valuation is cautious over the next 12 months.

*\*An analyst's coverage sector consists of all companies covered by the analyst within the relevant sector. An analyst may cover multiple sectors.*

Credit Suisse's distribution of stock ratings (and banking clients) is:

#### Global Ratings Distribution

Rating	Versus universe (%)	Of which banking clients (%)
Outperform/Buy*	56%	(36% banking clients)
Neutral/Hold*	31%	(29% banking clients)
Underperform/Sell*	12%	(42% banking clients)
Restricted	1%	

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#### Target Price and Rating

##### Valuation Methodology and Risks: (12 months) for Tatts Group (TTS.AX)

**Method:** Our Tatts Group (TTS.AX) target price of A\$3.45 approximates our discounted cashflow (DCF) of \$3.57 less next 12 months dividend of 17c. We assume a competitive advantage period of 20 years. Over this time frame, the company's growth rate is assumed to steadily diminish from 2% to zero and its return on new capital from 9.5% to weighted average cost of capital of 7.2%. Our UNDERPERFORM rating is based primarily on valuation with the current share price implying over 17x EBITDA for the lottery division. While the business is well managed and has reasonable growth prospects, we are not prepared to give Tatts a "utility-like" earnings multiple.

**Risk:** The key risks to our A\$3.45 target price and UNDERPERFORM rating for Tatts Group include increased government regulation (including factors such as wagering limits, gaming machines per venue, etc.) and market share losses in wagering.

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