

Court docs show big business of daily fantasy sports

By Michael Virtanen, AP

ALBANY, N.Y. — Documents filed at the court examining the legality of daily fantasy sports in New York show a rapidly growing national business built on billions in entry fees.

An estimate by DraftKings says the industry will take in up to \$4 billion in entry fees in the United States this year, and could reach up to \$20 billion in 2017.

Daily fantasy companies like FanDuel and DraftKings generally charge roughly 10 percent of each wager for hosting games.

The insights into the industry are contained within court exhibits as the companies fight New York Attorney General Eric Schneiderman, who is attempting to halt what he considers illegal gambling under state law. A hearing is scheduled Wednesday in Manhattan before a state judge.

The companies say their games are legal and based on player skill.

New York is just one of several states where the daily fantasy sports industry is facing recent scrutiny. Several states that don't have specific prohibitions are considering new regulations or laws.

The companies caught the New York attorney general's attention with their ad blitzes this year around the start of the NFL season.

"The growth in (daily fantasy sports) advertising has been as spectacular as it was sudden," the attorney general wrote in his motion for an injunction. "Advertising reached a peak in the weeks leading up to the 2015 NFL season, when it became

nearly impossible to watch televised sports without encountering a (daily fantasy sports) commercial.”

A spreadsheet collected by investigators shows FanDuel and DraftKings spent \$34 million on TV advertising with NBC and Comcast through Oct. 28 this year, compared with \$3.2 million in 2014. In another court document, the attorney general said FanDuel has spent more than \$75 million this year on all ads, saying it was “paying out over \$2 billion dollars this year” and “anybody can play, anybody can succeed.”

U.S. entry fees were \$20 million in 2011 and are expected to reach up to \$10 billion next year, the DraftKings market estimate said.

Another document submitted to the court by the attorney general says the U.S. has a market of 63 million male sports fans between 21 and 50 years old, including 25 million fantasy sports players. They are described as passionate about sports, white collar, having high disposable income and “underserved by social and skill game developers.”

Both companies say they have hundreds of thousands of customers in New York.

New York-based FanDuel was forced to stop taking deposits from New Yorkers late last week, saying its bank and processors were deterred by Schneiderman’s efforts. It stopped letting customers in New York enter contests on Tuesday.

Both say they remain committed to ensuring their customers can keep playing and will argue their position Wednesday.