



WEEK 11

FRIDAY 14 MAR 2014

THIS WEEK

- Macau against new casino licences
- Guest column: Mark Gibson on PoC tax
- FA's Greg Dyke considers total betting ban
- Tweets of the week

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TOP STORY

CAESARS LOSSES WORSEN

Atlantic City struggles trigger increased impairment charges in Q4



Caesars Entertainment president and CEO Gary Loveman

Casino operators Caesars Entertainment have seen losses more than treble for the fourth quarter of 2013. The firm's net loss for the three months ended 31 December was \$1.76bn, up 265.8% year-on-year from \$480.3m. The company said the increase was mainly due to "higher non-cash intangible and tangible asset impairment charges" which totalled \$1.96bn for the quarter, as opposed to only \$448.2m in Q4 2012.

Factors causing the impairment include "potential changes in the expected useful life of certain property assets" and deteriorating market conditions in Atlantic City. While Caesars' Q4 2013 net revenues from their Atlantic Coast operations were relatively stable year-on-year (although the 2012 figure was adversely affected by Hurricane Sandy), their loss in the region increased by just over 300% to \$1.91bn, with the firm again citing asset impairment charges.

During the fourth quarter of 2013 Caesars' wholly owned subsidiary Caesars Entertainment Operating Company (CEOC) created a new structure called Caesars Entertainment Resort Properties (CERP) and also closed transactions to form Caesars Growth

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Partners LLC (CGP), the latter of whom CEOC recently agreed to sell \$2.2bn of assets, including assumed debt of \$185m. The deal is part of “ongoing efforts to address overall capital structure” of CEOC and position the firm to “enhance equity value”.

Caesars Entertainment Corporation president and CEO Gary Loveman said that although the operating environment had “remained challenging” in Q4, the company were encouraged by volume and visitation trends in their “core market” of Las Vegas.

Meanwhile Caesars’ net losses for the whole of 2013 were up 95.5% year-on-year to \$2.99bn. The results were again affected by impairments totalling \$3.02bn, compared with \$1.07bn in 2012.

Loveman said: “During 2013 we invested significantly in our properties and executed a number of initiatives to enhance the company’s capital structure and better position the company for sustainable growth.”

It was reported in February that Caesars were working with investment bank Lazard on financial restructuring relating to their debt.

KEY POINTS

- Caesars Entertainment suffer losses of \$1.76bn for Q4 2013.
- Factors include poor market conditions in Atlantic City.
- Yearly losses nearly double to \$2.99bn.

ASIA

NO INCREASE IN MACAU LICENCES

Region won’t add to current concessions

There will be no rise in the number of casino licences available in Macau, according to the region’s secretariat for economy and finance.



Francis Tam Pak Yuen said there should be “no increase to the number of gaming operators” when existing permits expire in 2020 and 2022, adding that the government had yet to decide on the length of the next licence period.

Macau [above] is a special administrative region of China and the only part of the country where gambling is legal. The area currently has three gaming concessionaires: SJM Holdings, Galaxy Entertainment Group and Wynn Resorts, while MGM Resorts, Las Vegas Sands and Melco Crown Entertainment are all sub-concessionaires.

KEY POINTS

- Macau finance secretariat says region won’t increase number of casino licences when existing concessions expire.
- Area currently has six licensees including Les Vegas Sands and Wynn Resorts.

UK SPORTS BETTING

FA CONSIDER FULL BETTING BAN

New rules could outlaw all betting by football players

The Football Association could be set to introduce a blanket ban on players and club staff betting on matches.

Current regulations state that players must not bet on matches involving themselves, their team and competitions that they play in or have played in.

However a number of high-profile cases have come to light in recent years, the most recent of which saw Newcastle United player Dan Gosling admit an FA misconduct charge.

FA chairman Greg Dyke [pictured] told the BBC: “The FA is looking again at the whole of betting and who should be allowed to bet on football in the football industry. In the next few weeks, we’ll come out with a policy.”



KEY POINTS

- The FA are considering a complete ban on football betting by players.

NEWS IN BRIEF

ROUNDUP: 32RED, UNIBET, BETRADAR

The rest of the week’s key stories on GamblingInsider.com and the web

- Charges against a British man accused of ‘courtsiding’ during the **Australian Open** tennis tournament have been lifted.
- In their 2013 financial results, **32Red** have reported a total gross gaming revenue increase of 21% to £38.8m.

Tweets of the week 

“One of the write-offs taken in Q4 by Caesars was \$102 million for the company’s failed attempt to win a Boston-area casino license. #lvrrj”
Las Vegas Review-Journal’s @HowardStutz

“Heaven is to be found in ancient Swarovski binoculars and a good viewing position at the Cheltenham Festival!”
William Hill CEO @ToppingRalph

“At current growth rates, China Mobile might have more 3G users than there are mobile users in the USA by the end of 2014.”
Tech/telcoms expert @BenedictEvans

- **Unibet** have agreed a deal to become official betting partner of the **Ultimate Fighting Championship (UFC)**.
- **Betradar** have added Virtual Dog Racing to their virtual sports-betting portfolio.
- **NextGen Gaming** have announced the launch of their first slot titles on **William Hill's** Vegas tab in both HTML5 and Flash.

GUEST COLUMNIST
"WHAT IS THE IMPACT OF THE NEW GAMBLING BILL FOR UK PLAYERS?"



by Mark Gibson
business development director, mobile gaming firm

"Gambling operators will be watching with interest the progress of the Gambling (Licensing and Advertising) Bill, which has its third reading in the House of Lords on Tuesday 18 March. If passed, the legislation's effects will be mostly felt in the changes to tax legislation.

The Bill is set to introduce a 'point-of-consumption' tax on gambling revenues. But the challenges of determining and maintaining customer location records across all bet/spin activity mean this 'point-of-consumption' tax will be more of a 'point-of-residence' tax. So, if the gambling operator can determine the customer's usual place of residence as the UK, the tax will apply to all gambling revenues generated by that customer.

This will not change many – if any – customer data collection processes applied by most remote gaming operators. The Bill will also not alter the

range of services and products available to UK players, nor make any change to the locations from which the UK player can consume services. But the change in tax liability and the point at which the tax is applied will have a critical impact on the commercial viability of the operations of some gaming operators and specific products within a remote gaming portfolio.

It could be suggested that requiring all operators to register in the UK and to be liable to UK tax and duties will make the supply of gambling services more 'responsible'. It could also be suggested that there will be a greater degree of player confidence in the operators and platforms supplying those products and services.

But this begs the question: is there a shortfall in player confidence or a significant degree of player harm as a result of the current industry architecture and supply, and will the proposed changes affect this?

In terms of customer impact, it is reasonable to assume there will be decreased competition (usually considered to be bad for customers); there might be a change in the level of return-to-player rates as gaming operators look to ensure that their services are profitable within the 'new' tax regime; and longer term, there might be less innovation as fewer operators and new entrants are in the market, and research and development offers less in the way of profit opportunity.

There is significant variation in the current typical return-to-player values between different types of products. The proposed legislation does not intend to accommodate variation based on that consideration.

The same rules and the same duty will apply across products.

The impact of this change in tax regulation will be on operators who have notable numbers of players residing in the UK. There are operators already stating a willingness to take a step back from the UK market. The proposed level of the UK point-of-consumption tax at 15% is expected to have a significant impact on operators and might even have a detrimental effect on the volume of business as the player may receive poorer odds or payout rates as operators look to mitigate the reduction in profit by increasing their overround. As such, the £300m in tax revenue estimated by the Treasury may not be fulfilled as operators and players reduce their activity and touch with the UK's online gaming market."

Mark Gibson works as business development director for mobile gaming solutions provider Mkodo (mkodo.com). He is a specialist in mobile communications and mobile's convergence and relationship with other 'new media'. His focus is on devising and bringing to market interactive, accessible applications that deliver customer-focused solutions across the mobile, social and digital environment. Mark is also chair of the AIME Mobile Betting Gaming Forum, a working group designed to discuss and represent the mobile gaming industry and further the cause and reach of mobile gaming

Want to be a guest columnist in GI Friday? Write to: editor@gamblinginsider.com

OUT NOW: Look out for the March/April issue of Gambling Insider's print magazine, including an interview with American Gaming Association president and CEO Geoff Freeman, as well as a look at how bookmakers are increasingly making use of statistics



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