



WEEK 24

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THIS WEEK

- ESSA reports increase in suspicious bets
- Guest column: David McDowell on trading
- World Cup could make bookmakers £100m
- Tweets of the week

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TOP STORY

IGT EXPLORING SALE OF COMPANY

Morgan Stanley to assess potential deal



IGT's headquarters in Las Vegas

Developer IGT is understood to have hired financial giants Morgan Stanley to explore a sale of the company. Reuters reports that the manufacturer has been working on a sale for over two months, with people familiar with the matter revealing interest from other gaming groups and private equity firms. IGT is said to currently be hosting management presentations for prospective buyers.

A sale is apparently being sought because of a 31% fall in the company's stock in the past year. IGT's results for Q2 2014 revealed a 66% year-on-year drop in earnings and a 67% decrease in net income, while in March it lowered its fiscal year 2014 guidance. Both IGT and Morgan Stanley declined to comment on the potential sale.

Stifel Nicolaus Capital Markets gaming analyst Steven Wieczynski told the *Las Vegas Review-Journal* that his firm viewed a private equity bid as the most likely, adding that IGT's depressed valuation would "pique groups' interest in the name". He did however believe that bids from other international providers could emerge,

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referencing Lottomatica and Konami Gaming as two companies that may be looking at IGT.

Speaking to the same publication, Eilers Research founder Todd Eilers [pictured above] highlighted Apollo Global Management, one of two private equity group owners of Caesars Entertainment, as a potential buyer. He also considered that providers GTech and Novomatic could be interested as "they have little US casino market exposure but have identified the US market as a key component to their growth strategy".

Reuters reports that potential strategic buyers could face competition law barriers due to the existing consolidation within the slot manufacturing sector, while private equity firms may be met with financial challenges as the result of a likely lengthy regulatory review, as banks funding a leveraged buyout couldn't hold funds aside indefinitely. A potential private equity buyer might therefore have to fund a deal ahead of its closing, which would increase costs.

News of the potential sale on Monday saw IGT shares rise 14.4% to

\$14.31, giving the firm a market value of over \$3.5bn.

KEY POINTS

- Developer IGT believed to be exploring sale of company
- Firm reported to have hired Morgan Stanley to look into a deal
- Gaming groups and private equity firms said to be interested

SPORTS BETTING**BIG INCREASE IN SUSPICIOUS BETTING REPORTS****ESSA referred 30 cases to authorities during 2013**

Sports-betting integrity organisation ESSA has revealed a five-fold increase in the number of suspicious betting patterns reported by its members in 2013. The group's *Integrity Report 2014* says that of the 148 unusual betting patterns reported during last year, 30 were found to be suspicious and therefore referred to the relevant sporting and regulatory authorities. In 2012 there had been 109 alerts and six referrals.

The 2014 report's key recommendations for tackling



match-fixing in an effective manner include the continued development of information-sharing cross-sector partnerships, continued player education, the targeting of organised crime, better sports governance, and risk assessment – with the latter point leading ESSA to state that there is "no evidence" to support limits on regulated betting markets.

ESSA members include bookmakers such as Ladbrokes, Bet365, William Hill and BwinParty.

KEY POINTS

- Five-fold increase in the number of suspicious betting patterns reported by ESSA members in 2013
- Integrity group referred 30 of the cases to authorities

WORLD CUP 2014**WORLD CUP GROSS WIN COULD REACH £100M FOR UK BOOKIES****England progress may see staking volumes pass £800m**

The 2014 World Cup could generate as much as £100m gross win for UK operators, according to a report commissioned by spread-betting firm Sporting Index. The study, carried out by research firm Regulus Insights, reveals that a favourable set of match results could see the figure reach £50m-100m, with betting volumes predicted to be 50% higher than in the 2010 tournament. The report concluded that should England progress further than predicted by their odds, staking volumes could top £800m.

**Tweets of the week**

"Cash Out+ launched for World Cup - allows customers to choose what proportion of bet to Cash Out. #innovation"
@Betfair_Press

"If I could bet that the DOJ was going to settle with Isai Scheinberg... i'll do it .. today ..)"
#AnyBookieToTakeTheBet
#PokerstarsNextMove"
Global Poker Index's
@alex_dreyfus

"Safe to say that majority of England fans don't regard Danny Welbeck as an 'injury scare' – more of an 'injury blessing'. #letsgoraheem"
Sports-betting writer
@matthew_glazier

KEY POINTS

- Report suggests favourable results could see World Cup gross win hit £100m for UK operators

GUEST COLUMNIST

"THE INDUSTRIAL REVOLUTION IS COMING TO SPORTS BETTING"



by **David McDowell**
Betting
technology
firm CEO

"The industrial revolution had a profound effect on the socio-economic conditions across the world in the 18th and 19th centuries. The movement from hand tools to machines in the textiles industry drove a huge increase in productivity and output. This was followed by the introduction of canals and railways which helped to distribute these goods at record pace. Using steam and coal for power coupled with innovation around manufacturing machines brought the revolution to new industries and the early 19th century positively exploded with productivity.

Today, sports betting is experiencing its own industrial revolution. Tasks that were done manually are rapidly being automated. Data feeds coming straight from a sporting venue, for example, were difficult to find even five years ago with many of the feeds using data collected on the sly by someone sitting in the stands. Today, sports data feeds are fast, accurate

and legitimate and the increase in quality and reliability has given rise to real-time algorithmic odds compilation models being used to perform a job that previously depended upon skilled labour. And for those companies that can't produce their own odds, specialist pricing supply services are now available to push the odds directly into your sports-betting platform.

A number of sports-betting traders may have lost their jobs in recent times, however the role is evolving, not disappearing. If odds compilation is being run by machines, I would still be more comfortable knowing that a skilled trader is watching over the systems. More importantly, traders are still managing risk as well as profiling good customers from bad, though even these jobs require less labour with the right tools. So, shouldn't the people who are profiling the customers also be given tools to trigger bespoke marketing offers? Traders are in the perfect position to push real-time bonuses and awards.

This brings me to CRM tools. If real-time odds compilation has been automated, why are most sportsbooks still manually awarding free bets and sending out generic promotional mailers? One sizeable bookmaker told me that it takes eight hours for a customer action to trigger any kind of response in their CRM warehouse.

Unfortunately the legacy sports-betting platforms that are used by most bookmakers today were designed before CRM was well understood. These platforms were not designed for live betting, mobile user access or CRM, yet the cost (or fear) of switching to a modern

platform remains prohibitive. If you are buying a modern casino platform the first thing you look at is the CRM capabilities, while in sports betting everyone seems to think it is acceptable to hire a room full of marketing staff to manually award free bets. With the right marketing tools, one person should be able to set up and manage hundreds of simultaneous campaigns, targeting specific customer segments with bespoke rewards.

It shouldn't take more than 15 people to run a modern trading floor including the marketing campaign management. There are companies that still employ hundreds of traders and marketing staff to make up for their lack of investment in modern sports-betting technology, and very soon they will not be able to compete. As history tells us from the industrial revolution, once your competitors modernise you need to keep up or close shop. Soon the cost of not switching will become prohibitive."

David McDowell is the CEO and co-founder of FSB Technology. FSB was co-founded in 2008 by David along with Sam Lawrence. David is the former founder and 12-year-serving board member of listed gaming supplier GameAccount Network

Want to be a guest columnist in GI Friday? Write to: editor@gamblinginsider.com with your idea for an opinionated article and you could see it featured on these pages

OUT NOW: Look out for the May/June issue of *Gambling Insider's* print magazine, featuring an in-depth and insightful World Cup Special as we assess the industry's preparations for Brazil 2014, as well as the first in our new 'Bright Sparks' profile series





Vermantia presents 360° Virtual!

Vermantia, an innovative and fast growing gaming content provider, presents 360° Virtual, an exciting and rich end-to-end Virtual games service. Through partnerships and in-house design, Vermantia brings to market a full product offering with plug-and-play technology solutions.

Vermantia is launching 5 new premium virtual games including Cycling, Motor Racing, Table Tennis, Badminton and Archery, which will enhance its robust portfolio to 10 games with a wide range of betting markets. This unique portfolio is enriched with additional titles from global frontrunners in Virtual gaming such as Betradar Gaming and Kiron Interactive, and includes Football, Horse Racing, Greyhound Racing, Trotting and Tennis. By the end of the year, Vermantia plans to further boost its offering with an additional 5 state-of-the-art games.

360° Virtual becomes all the more powerful through V-plus Media Platform, delivering end-to-end content broadcast solutions tailored for Retail, Online and Mobile. 360° Virtual technology extends to the provision of integrated self-service betting terminals for an unparalleled Retail experience.

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