



# WEEK 29

## FRIDAY 18 JUL 2014

### THIS WEEK

- Bet365's impressive financial performance
- CA tribe takes chance on real-money poker
- Asian betting syndicate busted in Vegas
- Column: Iain Coward on a great World Cup

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#### TOP STORY

## GTECH TO ACQUIRE IGT

Gaming giants to join forces in \$6.4bn deal



GTech CEO Marco Sala will head up the new company

Supplier GTech has agreed to acquire manufacturers International Game Technology (IGT). The deal, which is also being presented as a merger, is valued at approximately \$6.4bn, including around \$1.75bn in existing IGT net debt. The firms will combine to form a new holding company (NewCo) organised in the UK, with operating headquarters in Las Vegas, Providence and Rome. The new business will be solely listed on the New York Stock Exchange.

The agreement brings together IGT's game library, manufacturing and operating capabilities with GTech's gaming operations, lottery technology and services. GTech says the merger will "drive scale across all businesses, geographies and product lines" and is expected to achieve more than \$280m in run-rate synergies in the three years following the transaction, which is expected to complete in the first or second quarter of 2015.

IGT shareholders will receive a combination of \$13.69 in cash plus 0.1819 NewCo shares for each share of IGT common stock, equal to an aggregate value of \$18.25 per IGT share. It is anticipated that existing

CONTINUED ON NEXT PAGE ►

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IGT and GTech shareholders will own approximately 20% and 80% of NewCo's ordinary shares respectively.

GTech expects to finance the cash portion of the deal through a combination of cash on hand and new financing. The firm has received binding commitments totaling \$10.7bn from Credit Suisse, Barclays and Citigroup, including refinancing certain existing indebtedness.

The chief executive of the new company will be current GTech CEO Marco Sala, who will be part of a 13-member board which will include five directors appointed from IGT's existing board, including IGT's chairman Phil Satre, who will serve as NewCo chairman, and IGT chief executive Patti Hart, who will serve as a vice chair. Six other directors will be appointed by GTech, one of whom will serve as a vice chair. A final, independent director will be agreed by GTech and IGT.

Todd Eilers of Eilers Research told Bloomberg that the deal was "probably the best decision" for IGT given sluggish growth in its domestic market and increased competition.

**KEY POINTS**

- GTech has agreed to acquire IGT in a deal valued at \$6.4bn
- Firms will combine to form a NewCo
- Transaction expected to complete in Q1 or Q2 2015

**UK**

**EXTRAORDINARY GROWTH FOR BET365**

**Online operator goes from strength to strength**

Bet365 has reported a strong performance

for the financial year ending 30 March.

Referring to its latest set of financial results sources variously report the firm's operating profit as either £320.9m or £212m, marking an increase of up to 81.5% on the previous year [depending on which figure is accurate; Bet365 declined to confirm when contacted by *GI Friday*], thanks to a growth in in-play and mobile betting.

Sources agree that the operator has recorded a 38% year-on-year rise in turnover, with pre-tax profits rising more than 44%.

Denise Coates, Bet365 founder, has announced that the firm has donated £105m of its annual profit to the Bet365 Foundation charity.



**KEY POINTS**

- Bet365 excels over 2013/14 as operating profits rise as much as 81.5%

**CALIFORNIA**

**CALI TRIBE OFFERS REAL-MONEY ONLINE POKER**

**Santa Ysabel pushes ahead despite lack of legislation**

The Iipay Nation of Santa Ysabel has ignored the absence of online gaming legislation in California to launch real-money internet poker in the state. The service is licensed by the tribe's own Gaming Commission, although a partnership with the Kahnawake Gaming

Commission will see the regulator host a portion of the interactive gaming structure.

The tribe has "decided to rely on the tribal sovereignty and the provisions of the federal Indian Gaming Regulatory Act (IGRA)" to offer the product. It claims the Commission's regulatory structure is more stringent than the requirements contained in either of California's current online gaming legislative proposals.

**KEY POINTS**

- The Iipay Nation of Santa Ysabel has launched real-money online poker in California despite the absence of relevant legislation

**NEVADA**

**ASIAN BETTING SYNDICATE BUSTED ON VEGAS STRIP**

**Wealthy, well-known and mob-connected men accused of unlawful transmission and operating illegal gambling business**

Eight people, including pro poker player Paul Phua and a suspected member of one of the world's largest criminal syndicates, the '14K' triad, have been arrested for operating an illegal World Cup betting operation from three suites in Caesars Palace, Las Vegas.

FBI and Nevada Gaming Control Board agents raided the high-roller villas and made the arrests last week after being



**Tweets of the week**

**"It's a billion dollar cockfight, and GTech's is about \$200 million smaller than Amaya's."**

*Marco Valerio*  
@AgentMarco

**"\$GTK & \$IGT expect to realize \$280m in synergies. Wow, that's about 2x what we anticipated. \$SGMS \$WMS expect \$60m & \$BYI \$SHFL expect \$40m."**

@EilersResearch

**"Delaware falling short of online gambling revenue target... hands up if you're surprised. What no hands up!!! Imagine that!"**

*Industry consultant*  
@AideenShortt

tipped off by suspicious Caesars staff.

The group, from Malaysia, China and Hong Kong, are currently being detained as flight risks or are awaiting bail. They could face prison and hefty fines if convicted.

#### KEY POINTS

- Multi-billion dollar, illegal World Cup betting ring caught operating from Caesars Palace

#### GUEST COLUMNIST

### "A FANTASTIC WORLD CUP FOR OPERATORS"



**by Iain Coward**  
*betting affiliate  
managing director*

"The World Cup was a huge success not just from a commercial point of view –

bookmakers in the UK are estimated to have taken between £500m and £1bn worth of wagers during Brazil 2014 – but also from a social and entertainment perspective.

Social media records were broken left, right and centre as fans, brands and media made their voices known. This was the ultimate multi-screen sporting event with everyone joining in the noise around the greatest football spectacle.

Both bookmakers and affiliates had to adopt strong social media strategies to get in on the action. Our company (Freebets.com) have always aimed to be more than simply an affiliate feeding offers to our followers. That gets boring quickly and you just disengage your audience whereas pushing interesting content and previews, sharing great goals and

funny moments are more likely to interest social media users and lead to acquisition. Interaction is key.

This was the biggest month in our history and it proved very successful. An acquisition war between bookmakers trying to grab a slice of a saturated betting market led to incredible offers and promotions from operators.

Extremely generous concessions and in some cases 'free money' ensured smart bettors got fantastic value. Coral, who have form for 'giving money away' (their 2013 Cheltenham Festival offer of Evens on hot favourite Sprinter Sacre reportedly cost them over £1m) allowed new customers to get 2/1 on Brazil wearing yellow for their first match.

As an acquisition tool this was a great marketing coup and it proved particularly popular with us. Paddy Power, self-styled 'home of the money-back specials', as ever provided bettors with extra insurance on a wide range of markets.

Also popular were competitions run by the likes of Winner and Sportingbet, which gave people the chance to win big for no stakes by predicting the results of matches or, in the latter's case, the winner and runner-up of every group. These are exciting promotions to push as an affiliate and always catch the imagination of football fans and those who perhaps wouldn't necessarily have a bet but now find themselves with an account.

There's often a dismissal from more professional bettors that money-back promotions and enhanced odds are gimmicks to entice casual punters. But Bet365, as well as running their 'Bore Draw' special which refunds

selected markets if the game finishes 0-0 (a costly promotion considering there were a record 10 goalless stalemates) refunded losing outright bets up to any stake if your team was eliminated on penalties.

Fancied teams Chile and Netherlands exited on spot-kicks and it was phenomenal insurance for both high-rollers and casual bettors alike.

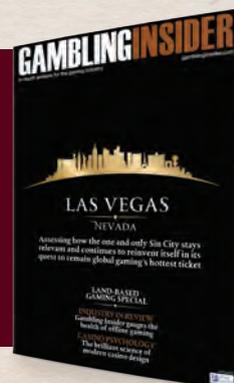
Thrilling group stage games full of goals and favourites justifying their positions in the market put punters in front, but after a number of low-scoring draws in the knock-out stages, the layers came out on top.

The big challenge for operators now moves from acquisition to retention. Big sporting events like the World Cup and the annual Cheltenham Festival always see a plethora of bookies dangling a carrot as the marketing department earn their crust. Getting an account is great, but if that account is never used again then the long-term value is negligible. The next month or so, a quiet time before the football season kicks off, will be a test for operators and will require a fresh approach from both them and affiliates.

*Iain is a qualified chartered accountant and has worked in the online gaming sector for over seven years. He moved from Pokerstars.com, in his role as forecasting, planning and analysis director, to Freebets.com in May 2011 and was appointed managing director in February 2014*

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