



# WEEK 32

## FRIDAY 8 AUG 2014

### THIS WEEK

- Crown Resorts plan to enter Vegas market
- Column: Jason Trost on sports betting
- Sporting Index admonished for World Cup ad
- Tweets of the week

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#### TOP STORY

## SCI GAMES TO BUY BALLY FOR \$5.1BN

Providers the latest to join forces as consolidation trend continues



Scientific Games president and CEO Gavin Issacs

Two major providers Scientific Games and Bally Technologies are to enter into a definitive merger agreement worth \$5.1bn. Scientific Games will acquire all of Bally's stock for \$83.30 cash per share. The \$5.1bn figure is aggregated and includes the refinancing of approximately \$1.8bn of existing Bally debt. The transaction has been unanimously approved by the boards of directors of both firms.

The acquisition will be financed with debt and cash on hand. Scientific Games has secured committed debt financing for the transaction, which is not subject to a financing contingency.

Scientific Games president and CEO Gavin Issacs said: "The acquisition of Bally provides us with a unique opportunity to combine two exceptional companies with long track records of creating leading-edge games and gaming technology products for players and delivering innovative solutions to our customers.

The transaction will expand Scientific Games' portfolio to include: casino management systems and table products, including automatic shufflers; proprietary table games and electronic table systems; as well as social and real-money i-gaming and i-lottery products and services.

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The firms said this will position Scientific Games to better cross-utilise content and technology across the lottery, gaming and interactive sectors to propel future growth. The merger is also expected to improve their sourcing, production, engineering and product development capabilities.

Scientific Games and Bally generated combined revenue of approximately £3bn in the 12 months leading up to 31 March this year.

Scientific Games expects to achieve \$220m of cost synergies and \$25m of capital expenditure savings by consolidating operations and increasing efficiency in several key areas, while incurring \$75m in costs to achieve the synergies and \$40m in capital costs to complete the merger.

Bally CEO Richard Haddrill said: "The combination with Scientific Games will benefit our customers and shareholders. The transaction delivers immediate value to our shareholders and the highest price in our history."

The acquisition is subject to closing conditions, including receipt of Bally shareholder approval and antitrust and gaming regulatory approvals. Bally and Scientific Games are licensed in more than 300 jurisdictions worldwide, which is expected to facilitate receiving the required gaming regulatory approvals.

Upon closing of the transaction, it is expected Isaacs will continue as president and CEO of Scientific Games, while Haddrill and David Robbins, chairman of the board of directors at Bally, will join the board of directors of Scientific Games, where Haddrill will serve as vice chairman. The deal is anticipated to close by early 2015.

## KEY POINTS

- Scientific Games and Bally are to merge

- Sci Games will acquire Bally in a deal worth around \$5.1bn
- The deal is expected to achieve around \$220m in cost synergies

## USA

## CROWN RESORTS TARGETS 2015 VEGAS PROJECT

## Aussie leading lights plan new property on famous Frontier site

The Australian casino company Crown Resorts has announced plans to build a new casino-resort in Las Vegas.

Headed by billionaire James Packer [pictured], Crown has spent \$280m on the project thus far, including buying a 35-acre plot on Las Vegas Boulevard on the site of the legendary Frontier casino.

"You can't be in the gaming industry and not have a special reverence for Las Vegas – that's where it all began," said Packer. "We've always kept our eye on Las Vegas ... we now have the ideal opportunity."

Crown will be building the casino in partnership with Andrew Pascal, former president and COO of Wynn Las Vegas, with financial support from hedge fund giant Oaktree Capital Management.

"For over 25 years, I've studied the ever-shifting Las Vegas landscape," said Pascal. "I've always been inspired by this city's capacity for reinvention. I'm excited to have my hand in crafting something new and



fresh for the resurgent Las Vegas market."

Crown already has casino projects in Sri Lanka, Macau, Australia and the Philippines, but investment analysts Morningstar said a Vegas property would establish Crown as an "end-to-end operator" and appeal to VIP gamblers.

In 2009 Packer lost an estimated \$250m investing in the Fontainebleau development in Las Vegas.

## KEY POINTS

- Crown Resorts plan to open a casino resort on 35-acre plot in Las Vegas

## UK

## SPORTING INDEX IN HOT WATER OVER CHRIST THE REDEEMER IMAGE

## ASA upholds ruling over doctored picture that breached their code

The Advertising Standards Authority (ASA) has upheld a complaint on behalf of The Evangelical Alliance against spread-betting operator Sporting Index, regarding the firm's advert featuring a digitally-altered image of Brazil's Christ the Redeemer statue.

The advert – which was graphically altered to show the statue holding an alcoholic drink in its right hand and with its left arm around a bikini-clad model alongside the caption "There's a more exciting side to Brazil!" – was found to breach three sections of the ASA's code.

Alliance director of advocacy Dr Dave Landrum said: "This advertisement was in poor taste and clearly likely to cause offence. Even so, the expressions of incredulity from *City AM* [where the advertisement was published on 10 June] and Sporting Index at the complaints illustrate a patent failure to grasp why such mockery and disfigurement of the person of Christ should be deemed offensive at all."

Tweets of the week 

**"Bids for Revel Atlantic City due today [Tues]. Cost \$2,400,000,000 to build. Bidders will take off several 0s."**  
*The Record (Bergen County)'s John Brennan* [[@BergenBrennan](#)]

**"Did Manchester United win the Premier League title last night or a meaningless friendly in the US two weeks before the season starts?"**  
*Betting writer @Matthew\_Glazier*

**"6 of our traders are stuck in the lift at work. It's 30 degrees in there. Get your bets on the Cork Apprentice handicap now!"**  
*William Hill's Jamie Hart* [[@jamieh7](#)]

## GUEST COLUMNIST

## "BETTING AS A COMMODITY"



**by Jason Trost**  
betting exchange  
founder and  
entrepreneur

"In the financial markets, we understand commodities to be raw materials or primary agricultural products such as gold or wheat that can be bought and sold. What has this got to do with sports betting? The basic idea of a commodity is that there is little differentiation between the raw product from one producer to another. This means that value is the sole driving force and that the producer who offers the best price earns the most trades.

The emergence of betting exchanges has increased this trend. Bettors – effectively traders – can place orders to buy or sell any given outcome of an event at whichever price they are willing to pay. Trades get executed based on the best prices offered, in line with the mechanisms of any other commodities exchange. Bets now also hold value as a bet placed with one bookmaker can be traded off on an exchange or even with another bookmaker. As with commodity markets, the bet offered is the same product and the only thing that differentiates each producer is the odds on offer.

As we all know, more and more bets nowadays are placed online. The Internet has increased price transparency as the offers from different betting operators can be compared and contrasted easily between websites. The proliferation of

odds comparison websites means that bookmaker prices are now published live alongside other competitor prices for all to see. This allows each market offered by bookmakers to become part of one giant market from which the user can choose the best price available. The 1x2 market offered by an operator on an Arsenal v Chelsea game is dwarfed by the worldwide cross-platform 1x2 market for that match.

The effect of this transparency is that bookmakers have to offer better prices to stay in line with the market. This directly translates into lower overrounds, which squeezes margins. This is especially true as users become more price sensitive and brand loyalty becomes less of a factor. Keeping a close eye on the competition's offering by directly tapping into odds feeds to converge with industry prices is important.

Looking ahead, we see that the bookmakers' traditional revenue model of depending on the overround is slowly eroding. Asian-model bookmakers have been leading this trend by offering the lowest margins in the industry. As i-gaming grows, the balance between margin and volume will tilt and traded volume will become the principal driving force of success. It's not just sportsbooks who will be affected. Exchanges will also have to stay competitive by offering lower commission rates. So where does this all lead us?

Again looking at our commodity markets, it looks like the continued success of the bookmaking industry is dependent on more sophisticated trading operations which fully utilise and take advantage of technological advances. With technology enabling us to put up a higher number of trades at greater speed, and even automating a lot of the trading operations, the sports-betting commodity market is an exciting space to be in right now. It is

a great time for innovative companies to make a mark on the industry as the most technologically sophisticated players will likely come out on top.

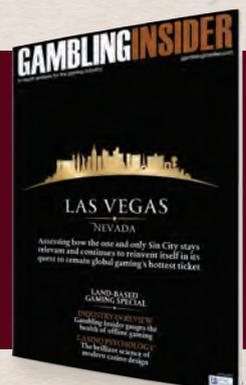
As demand for more betting opportunities continues to grow, automation becomes key. Recently, more and more bookmakers are adopting automated solutions to price up and manage the increasing number of markets on offer. Within betting exchanges, market makers constantly improve their algorithms to stay ahead of the game, faced with a growing number of technically savvy punters who employ bots to automate their betting. Third-party trading software has also existed for some time, enabling even the less technical bettors to gain access to a more sophisticated level of exchange betting.

Does all of this mean that some of the large operators who have been slow to innovate in-house and are still reliant on living off overrounds and manual trading operations are doomed? No, not necessarily. However it may be time for them to seriously think about how they can learn from and build partnerships with smaller entrepreneurial businesses who are at the forefront of technological developments."

*Jason is the founder of betting exchange Smarkets. He is a serial entrepreneur and former equities trader. Upon leaving trading, Jason founded Descipher (a software company that offered consumers the ability to self-diagnose their medical laboratory test results) and in the Global Asset Management division at UBS*

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**OUT NOW: Look out for the July/August issue of *Gambling Insider's* print magazine, featuring an in-depth Land-Based Gaming Special as we profile key destinations such as Las Vegas and Macau and assess how they stay ahead of the competition**





**SENIOR SALES MANAGER**

**Location:** London, **Contract:** Full-Time, **Salary:** competitive.

EveryMatrix is looking for a seasoned sales manager to prospect and map new opportunities to introduce EveryMatrix products and services. The successful candidate will be handling the whole sale life-cycle. The ideal candidate will have at least 5 years' experience in the i-gaming industry, betting or gambling sector, as well as experience with dealing and selling a range of products used within gambling industry.

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**PRODUCT MANAGER**

**Location:** London, **Contract:** Full-Time, **Salary:** competitive.

The successful candidate will be responsible for the Casino Engine of EveryMatrix and will oversee the entire product portfolio. Casino collects a very large set of providers of RNG and live dealer games in a single wallet, with a highly customisable front, available on the EveryMatrix gaming platform or seamlessly integrated into the client's platform. The Product Manager will also be accountable for the successful creation of product features and services. This includes responsibility for coordinating with other departments to manage and develop the products and services, in line with market trends, protecting the ongoing and future revenues of EveryMatrix.

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**World-class business is the name of the game on the Isle of Man**

The Isle of Man is increasingly becoming the jurisdiction of choice when it comes to the location, regulation and administration of online gaming companies. The Island is home to some of the most influential operators in the industry and the number of online gaming licence holders is growing at a pace.

The Island is internationally recognised as a well regulated jurisdiction, and offers businesses a zero rate of corporate tax with no capital gains tax and low betting and gaming duty.

The Island also benefits from a highly resilient world-class telecoms infrastructure and being an Island it has natural security and enjoys a stable economic, political and geographical environment and is more than self-sufficient when it comes to power.

The Island enjoys effective regulation offering a simple yet flexible 3-licence structure that can accommodate most models of businesses, whilst keeping operational costs competitive.

The Island offers a Full Licence that specifically addresses the relationship between an operator and its players. The Sub Licence permits a 1:1 business relationship between a full and sub-licence holder allowing the sub-licensee to utilise the full licence holder's games whilst creating its own player base. The Network Licence is of significant interest to the business-to-business model, where Isle of Man based operators can host players from other Isle of Man operators, foreign operators or directly through B2C provisions. This all adds up to enhanced liquidity and flexibility within the safety of the Isle of Man's gaming regulations.

The Island has attracted a cluster of supporting specialists and big industry names such as software providers Microgaming and Playtech. Our world-class data-centres have further strengthened the Isle of Man's gaming credentials and helped achieve the overall goal of developing a long term sustainable sector.

Player protection is another very important element of the Island's offering. Player protection has recently come into focus as an important requirement from players and for operators wishing to reassure their players that their monies are in safe hands.

In the Isle of Man there is a close working relationship between business and Government, helping the Island to be in its 29th year of unbroken economic growth, with low unemployment and strong Government reserves.

In a global industry that is increasingly competitive and where consumers are demanding better services all the time, the Isle of Man offers an unbeatable combination: reputation, quality and business efficiency.

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**Isle of Man  
e-gaming**