



WEEK 33

FRIDAY 15 AUG 2014

THIS WEEK

- NJ and CA i-gaming bills fail to pass
- Guest column: Aideen Shortt on Apple
- Further significant losses for Caesars
- Tweets of the week



TOP STORY

LADBROKES PROFITS HALVE

Poor results include a 72% digital downswing



Operator Ladbrokes has seen profits fall by 49.7% for the first half of 2014. Profit before tax was down to £27.7m for the half-year ended 30 June, while retail and digital also suffered significant year-on-year decreases.

Peel Hunt analyst Nick Batram described the results as “unquestionably poor but in line with forecasts”. Ladbrokes says it completed its “operational rebuilding” ahead of the Fifa World Cup, as scheduled, and that this focus had meant that financial performance “would inevitably lag behind”.

Digital operating profit for H1 dropped 72.2% to £3m, although the end of Q1 saw the firm’s long-awaited transition to the online casino products of provider Playtech, leading Ladbrokes to state that “the foundations of the business have been significantly improved”. Analysts at Morgan Stanley noted “the first signs of progress in the digital turnaround” and “strong initial progress since Q2”. They also exercised caution however, noting that “proving the long-term value of recently acquired players may take some time”.

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FROM FRONT PAGE ►

UK retail operating profit fell 21.3% to £57.6m, which Ladbrokes put down to customer-friendly sports results, notably in football in January and horse racing in June. Morgan Stanley described the company's retail trends as "weaker than expected" and said they see "little evidence yet that management could close the productivity gap in retail". They did however note the benefit of cost cuts in the sector.

Revenue both with and without high rollers actually increased during H1, with the latter figure rising 2.6% to £577.8m.

Chief executive Richard Glynn said: "We now have the products, the platforms, the people and the brand in place to deliver. Ladbrokes today is a far stronger company and well positioned for growth."

The firm said its focus for H2 is to deliver financial growth off the back of its recent operational achievements. However Nick Batram told newspaper *City AM* that a forthcoming "regulatory storm" of place-of-consumption tax and machine duty means the risk of "further disappointment remains high" for investors.

KEY POINTS

- Ladbrokes profit decreases 49.7% for H1 2014
- Digital profit falls 72.2%; UK retail down 21.3%
- Analysts see signs of digital turnaround but fear impending regulation

US POLITICS

I-GAMING BILLS DROPPED IN NEW JERSEY AND CALIFORNIA

Players in both states left disappointed as popular legislation doesn't pass

New Jersey governor Chris Christie has vetoed a widely-supported bill that would

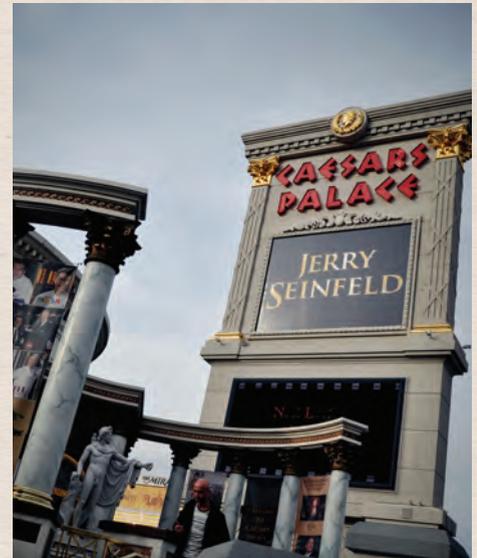
have side-stepped federal law and legalised sports betting in the state.

While Christie [pictured below] said he was uncomfortable with going against federal law, others believe his presidential ambitions may have been a factor. With a conservative outlook and policy-making base, the Republican Party would have frowned on him for letting such a bill pass.

Meanwhile in California, a bill to legalise online poker in the state has also been dropped by state senator Lou Correa due to limited time remaining in the legislative session. Senator Correa said the bill needs more time to "make sure it's done right". Poker players will now have to wait until at least 2015 to legally play online in the state.

KEY POINTS

- New Jersey governor Chris Christie criticised for vetoing a bill to legalise sports betting in the state
- Many speculate Christie's presidential ambitions affected his decision
- Bill to legalise online poker in California delayed again



USA

CAESARS LOSSES INCREASE

Company responds by reducing debt of subsidiary

Casino operator Caesars Entertainment Corporation (CEC) has seen net losses more than double for the three months ended 30 June. The figure has risen 119.8% year-on-year to \$466.4m, although net revenues did improve 3% to £2.19bn.

The company reacted by announcing debt reduction measures for its Caesars Entertainment Operating Co (CEOC) subsidiary. CEC and CEOC are to purchase and retire \$238m of CEOC's outstanding 2016 and 2017 debt held by third parties, while CEC has also agreed to contribute to CEOC for the retirement of \$393m of 2016 and 2017 debt currently held by CEC subsidiaries. The proposed transactions will reduce CEOC's debt by \$548m.

KEY POINTS

- Caesars Entertainment reacts to major increase in losses with debt reduction transactions

Tweets of the week

"Betfair sells it's Australian exchange. Not doing so well?"
Independent bookmaker Geoff Banks [[@geoffbanksbet](#)]

"Hats off to @PokerScout1. They predicted NJ online #poker revenue in July would be \$2,177,000. It came in at \$2,146,500. #closeenough"
Online Poker Report's Chris Grove [[@OPReport](#)]

"Play the Health Lottery for free by booking yourself into your local hospital and trying not to die of MRSA."
[@TwopTwips](#)

GUEST COLUMNIST

"CRUNCH TIME FOR GAMBLING FIRMS WITH AN APPLE OBSESSION"


by Aideen Shortt
Industry
consultant

"It's that time of year again when the world gets feverishly excited about

Apple's impending product launch. This year, if the world's worst kept secret holds true, on 9 September the iPhone 6 will be unveiled with a larger screen among many other features. This is a clever, and long overdue, move by Apple because over the past 18 months the global growth in smartphone penetration was primarily driven by two elements – large screens and lower price. Apple had neither. Yes, it had the 5C, but this didn't have the desired impact in the marketplace as, quite simply, Apple's version of 'cheaper' just wasn't cheap enough.

So what does this mean for gambling? Firstly it means that we'll have the usual rush to optimise sites and gameplay for the new device(s) and just as importantly managing any operating system changes that iOS 8 brings. Previous updates have ranged from quite insignificant modifications to the dramatic surprises that iOS 6 unleashed on the developer world, where a redesigned App Store ultimately cast most apps into obscurity and operators were scrambling to make appropriate re-submissions to the App Store approval process in order to maintain search/discovery position. Given that two-thirds of apps never get downloaded, changes to

the operating system that affects App Store Optimisation (ASO) can mean the difference between success and failure.

More than that however, it's a time to step back from the Apple hype and look at the gambling industry as a whole, asking two key questions: where are the upcoming and future gambling markets? And who are my current and future customers – and what phones do they use?

Mobile is driving the gambling business forward. William Hill's latest results saw 27% of its gaming revenues generated on mobile, up from 13% in the same quarter last year. Some 60% of Betfair sportsbook revenues are derived on the platform. Paddy Power has a disproportionately large share of the market because of its mobile prowess. Unibet's latest results also have mobile as the hero. The list goes on – our industry is now indisputably mobile-centric.

And, for the moment, the mobile revenues are skewed by Apple. It's been four years since mobile gambling began its hockey stick growth curve. At the start, any developer that didn't lead with an iPhone/iPad strategy would have been at a major loss because the correlation between Apple device ownership and propensity to gamble online were almost one and the same. Don't get me wrong, Apple products are still a critical component of mobile gambling, but the growth in smartphones is now being driven by emerging markets and the upgrade cycle – both of which drive non-Apple sales. For instance 85% of the 300 million smartphones shipped in Q2 2014 were Android – and not just Samsung either. The Chinese manufacturers Xiaomi and Huawei are relentlessly clawing back market share from the original leaders. The BRIC countries along with other Latin

American and Asian markets are the future, both in smartphone growth and as increasingly important gambling markets.

It's not just about the emerging markets. Looking at the state of play now, Android users are finally becoming more valuable thanks to a combination of majority device penetration, higher end smartphones and of course the general increase of the gambling universe – as the gambling population grows, so too does the share of non-Apple smartphones.

Device type is also vital to consider. Gaming operators are witnessing massive growth on tablets – both in terms of player registration and ongoing activity. Yet, despite having created the entire tablet sector, Apple's share had dropped to 60% in 2012 and the latest figures from market intelligence firm IDC show that the iPad and iPad Mini now represent less than 27%.

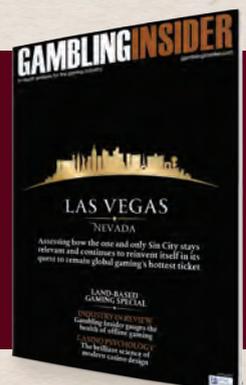
Even in the US marketplace, where there is much lamenting about the slow start of interactive gambling, I wonder how much thought has been given to the fact that New Jersey is not a state that favours Apple products.

The importance of device evolution and its role therein for successful gambling operations cannot be underestimated. And to that end, it's about time we stopped exclusively worshipping at the altar of Apple."

Aideen Shortt is a freelance consultant in the gambling industry and an expert in the areas of mobile and social. Follow her on Twitter: @AideenShortt

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

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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