



WEEK 47

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THIS WEEK

- Ultimate Gaming leaves Nevada
- Paddy Power reveals strong results
- Columnist: Yahav Sanoff on online marketing
- Tweets of the Week

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TOP STORY

AMAYA REPORTS RECORD RESULTS

Revenue and net income soar following PokerStars acquisition



Amaya CEO David Baazov

Provider Amaya Gaming Group has enjoyed record financial results for Q3 2014. Revenue for the three months ended 30 September increased more than six-fold to C\$239m, mainly due to the acquisitions of manufacturer Diamond Game in February and PokerStars owners the Oldford Group in August.

Adjusted net income rocketed from C\$6.8m to C\$69.9m, which led to a rise in diluted adjusted earnings per share to 43 cents, up from 7 cents in Q3 2013. Adjusted EBITDA increased from C\$18.2m in the third quarter of 2013 to C\$108.4m in 2014, while cash flow from operating activities rocketed from C\$3m to C\$138.9m.

Total expenses were C\$214.41m, compared to C\$34m the previous year. This figure includes acquisition-related costs such as the "financial expenses related to debt incurred to pay a portion of the purchase price for Oldford Group".

Amaya has also affirmed its previously announced guidance for 2014's full-year revenue of C\$669m-\$715m and Adjusted EBITDA of C\$265m-\$285m, both of which

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are expected to come in at the higher end of the range.

In June, Amaya agreed to acquire Oldford Group, the parent company of Rational Group, owners of the PokerStars and Full Tilt Poker brands, for \$4.9bn, with the deal completed in early August. The transaction was financed through a combination of cash on hand, new debt, a private placement of subscription receipts, a private placement of common shares and a private placement of non-voting convertible preferred shares.

Amaya says that mobile represented more than half of new customer acquisitions for PokerStars, compared to around 40% in the same quarter of 2013.

Amaya Gaming Group CEO David Baazov said: "The acquisition of PokerStars has transformed Amaya and delivered immediate value to our shareholders while setting the stage for additional future growth."

"In these early days I could not be happier with the initial performance of the business and the professionalism and expertise of the PokerStars management team. They are implementing strategic plans that leverage exciting, innovative poker variants, new gaming verticals and the mobile platform to increase engagement and new consumer acquisition."

KEY POINTS

- Amaya's acquisition of PokerStars helps it achieve record results
- Revenue increases more than six-fold to C\$239m for Q3 2014
- Adjusted net income surges from C\$7m to C\$70m

US

ULTIMATE GAMING LEAVES NEVADA MARKET

Online operator cites lack of profitability in state



Operator Ultimate Gaming has withdrawn from the Nevada online gaming market, ending its involvement with internet gambling in the US. The decision was taken after the firm endured a "very difficult" path to profitability due to the limited pool of players available in the Silver State. The brand had been the first to launch real-money online poker in the state in April 2013. This September the company, which is majority owned by Station Casinos, also ceased its online operations in New Jersey, citing "multiple breaches" by its land-based casino firm Trump Taj Mahal Associates.

Real-money online poker is legal in New Jersey and Nevada on an intrastate basis, meaning only players located in the same state can play against each other, thus limiting the number of

competitors and therefore the potential profit of operators. Ultimate Gaming chairman Tom Breitling [pictured] said that such factors "have combined to make the path to profitability very difficult and uncertain" for his firm.

The Associated Press reports A.G. Burnett of the Nevada Gaming Control Board as commenting that state regulators will be monitoring Ultimate's closure to ensure customers and the state both receive any money they are owed.

KEY POINTS

- Ultimate Gaming withdraws from Nevada online poker market after struggling for profitability
- Firm left the New Jersey market in September

FINANCIAL

PADDY POWER IN POSITIVE PERFORMANCE

Bookmaker enjoys increases across the board

Irish operator Paddy Power has reported a series of impressive financial figures for



Tweets of the week

"Age old argument that allowing gambling would hurt integrity of game doesn't make any sense. Regulation leads to MORE integrity"
ESPN sports business reporter Darren Rovell [[@darrenrovell](#)]
on legal US sports betting

"Ultimate Poker did not deserve that ending. But old platform & regulation makes overcoming dysfunctional retention market very, very hard"
Game consultant Kim Lund [[@InfiniteEdgeKim](#)]

"It genuinely shocks me that people are so convinced by the myth that certain peoples personalities played an important role in growing poker"
Professional poker player Olivier Busquet [[@olivierbusquet](#)]

the second half of the year to date. Group net revenue for the period 1 July - 16 November is up 38% year-on-year, with sportsbook net revenue increasing 41%.

Online net revenue, excluding Australia, rose 42%, while total Australian net revenue jumped 43%. UK retail net revenue improved 16% on a like-for-like basis, with Irish retail net revenue increasing 11% like-for-like.

The firm is set to undergo a CEO change in January, with Patrick Kennedy [pictured] replaced by Andy McCue.

Meanwhile UK operator Gala Coral Group has reported a 20% increase in gross profit to £211.7m for Q4 FY14. Turnover was up 21% to £288.3m, with group EDITDA jumping 47% to £58.2m.

KEY POINTS

- Paddy Power net revenue up 41% for 1 Jul - 16 Nov

GUEST COLUMNIST

"THE CHANGING FACE OF ONLINE GAMBLING MARKETING"



by **Yahav Sanoff**
Online operator COO

"Marketing in the online gaming space has changed irrevocably over the last few years. Now there are more channels than ever before, from Google to SEO to social media, as well as traditional marketing campaigns, and all of these need to be optimised. The new point-of-consumption tax in the UK means that small-to-medium sized operators have to be more tuned in than ever before; we have to work harder

and more intelligently. The traditional method of chucking bonuses at people is no longer sustainable.

When we made the decision to sponsor West Ham United, for example, it wasn't simply a question of splashing our brand on some football shirts in the hope that it gets noticed. Sponsorship in football is forever in a state of flux, with partners coming and going on a per season basis, and there's a reason for that - the deals aren't always successful.

As a small-to-medium sized business with a UK licence, we are looking for big deals where we believe there's good value in the short term. Because our margins are so much smaller, we're looking at deals with a potential return on investment within a four-month period, not just a yearly or 18-month period. The West Ham deal proposed good value for us, but we had to work very, very hard to change the deal as it came to us.

We're actually measuring this as a direct response campaign, which is very rare, but if you have the right tools in place you can get a rough idea of the value. It's extremely hard work. We go to the games, we speak to West Ham three or four times a day, we drive them crazy, they drive us crazy, but that's a partnership.

As marketing becomes increasingly high tech, the older marketing partnerships remain important to us, and affiliates are something that, again, we find we have to work harder to grow these days. The affiliate industry is incredibly switched on and has matured to a state where these affiliates are now big businesses - offshore companies with legal representatives, and all their deals are done with contracts and IOs.

The types of deals we can do now are much more complex. I think that

because the cost of traffic, especially in the UK, is so expensive, the affiliates are trying to make sure that they don't lose money. Google's algorithms have changed so much that I think the last Panda update really wiped out a lot of affiliates, especially in the bingo, poker and casino markets. So they're now having to diversify their businesses and target Google and PPC, which inflates the cost. That means the operators, because they are usually the ones that have the deepest pockets, are the ones that pay.

But it's important to be able to talk to someone. You can't really talk to Google. We have to have an industry of people; we can't just have an industry of machines. Media campaigns, meanwhile, are a bit like throwing grass in the air and hoping that the wind carries it in the right direction. You never know, you might get lucky. But I've always said that with marketing you have to feel it. It's not an algorithm, it's not a formula; you need to watch it every day, watch it grow. Perhaps affiliate relationships are actually more important now, because we have to work harder at them."

Winner COO Yahav has been in gaming for 15 years and is responsible for the group's fraud and CRM activities, while he also coordinates budgeting/forecasting processes, cash flow analysis and business planning

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