



WEEK 8

FRIDAY 21 FEB 2014

THIS WEEK

- Dutch gaming act edges closer
- Column: David McDowell on World Cup 2014
- Gala Coral boosted by online success
- Tweets of the week

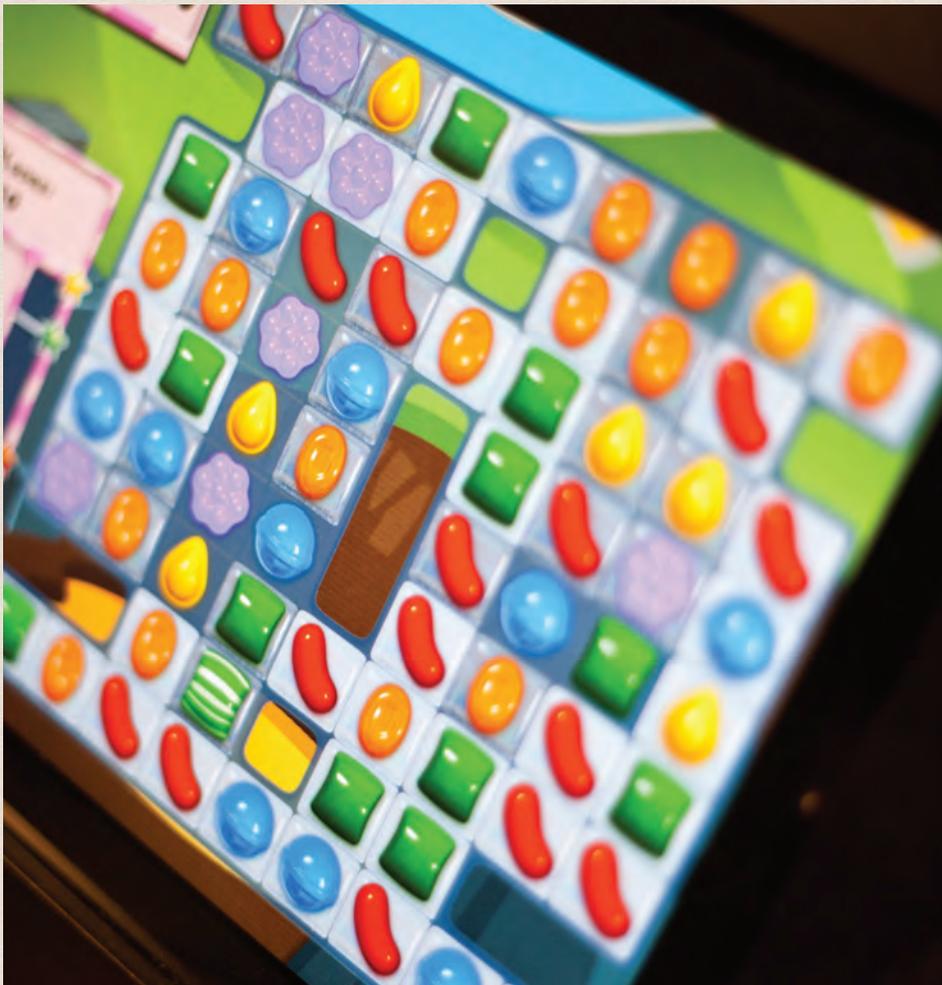
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TOP STORY

CANDY CRUSH FIRM KING PLAN US FLOAT

Game developers file for IPO ahead of New York listing



Candy Crush Saga has been a stunningly successful social game

The firm behind all-conquering mobile game Candy Crush Saga are set to float on the New York stock exchange. An IPO filed by King Digital Entertainment with the United States Securities and Exchange Commission reveals that the UK-based company hope to raise up to \$500m, with media reports suggesting that the business could initially be valued in the \$5bn-\$7bn bracket. A source close to the matter told the *Financial Times* that King could debut on the New York Stock Exchange as early as March.

The filing reveals that King generated nearly \$1.9bn in revenue during 2013, equivalent to about \$5m a day, 78% of which came from Candy Crush Saga. The firm's pre-tax profit for the year was \$714m, while adjusted EBITDA was \$825m.

King's biggest shareholders are private equity group Apax Partners, who hold a 48.2% stake, while venture capitalists Index Ventures possess 8.3%. King co-founder and CEO Riccardo Zacconi owns 10.4%.

As well as the immensely successful Candy Crush Saga, which sees players attempt to form rows of jellied sweets,

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King have also developed Pet Rescue Saga, Farm Heroes Saga and Papa Pear Saga. The games are free to download but players can purchase upgrades and add-ons which enable them to pass through levels more quickly or gain extra lives.

The news is likely to awaken memories of social gaming giants Zynga, whose 2011 IPO saw their value fall dramatically amid concerns about an over-reliance on Facebook and games going stale. However Max Wolff, chief economist and strategist at financial management firm ZT Wealth, told Bloomberg that King boasted better management and less of a dependence on Facebook than the FarmVille firm.

"King needs to be evaluated as King, not just people's disappointments around Zynga," Wolff said, although he did note that the company were "still a pop star with a fickle fan base".

KEY POINTS

- Candy Crush developers King Digital Entertainment file for IPO with aim of raising up to \$500m.
- Filing reveals King made \$1.9bn in 2013.
- The King filing can be found at the following link: tinyurl.com/KingIPO

NETHERLANDS

DUTCH GAMING ACT MAKES PROGRESS

Bill would regulate online games of chance in the Netherlands



A Dutch online gaming bill has reached the Council of State as it continues to progress through the Netherlands' legislative system.

The Remote Gambling Act would regulate online games of chance in the country as well as adapting tax arrangements and expanding powers of enforcement.

Initially released in May, the legislation underwent a stakeholder consultation period before being considered and approved by the Council of Ministers, meaning it now progresses to the Council of State, who will issue an opinion before either passing the bill to the House of Representatives or returning it to the Council of Ministers. The final Act is expected to come into effect on 1 January 2015.

KEY POINTS

- A Dutch online gaming bill which would regulate games of chance has reached the Netherlands' Council of State.

UK

ONLINE BOOST FOR GALA CORAL Profits rise sharply as player numbers soar

Operators Gala Coral have enjoyed large increases in online profits and EBITDA as part of wider group growth. Gross profit for the firm's online division for Q1 FY14 rose 43% year-on-year to £37m, while EBITDA improved by the same percentage to £10.3m, "primarily as a result of the significant increase in the number of active players". Active players at Galacaso.com rose 142%, while Coral.co.uk reported a 60% increase.

Overall group turnover from continuing operations for the 16 weeks ending 18 January rose nearly 12% on the previous year to £356.1m, with gross profit increasing 5.7% to £255.1m and EBITDA (continuing operations) rising 2%.



Turnover for the firm's Coral retail business was up 10%, with gross profit increasing 4% "despite the worst football results on record". EBITDA was down 5%, with the company citing "football results, increased content costs and the impact of MGD (machine games duty)".

Gala retail turnover, operating profit and EBITDA all increased, while the firm's Gala Casino division was discontinued during the quarter following the sale of their remaining UK and Gibraltar casinos.

KEY POINTS

- Gala Coral report 43% increase in online gross profit for Q1 FY14.
- Group turnover, profit and EBITDA all rise during period.

NEWS IN BRIEF

ROUNDUP: GALAXY, NET ENT, GTECH

The rest of the week's key stories on *GamblingInsider.com* and the web

- **Galaxy Entertainment Group** have announced they will spend approximately \$9bn on the next three phases of their **Galaxy Macau** resort.
- **Net Entertainment** have announced that Q4 2013 profits were up 65%.

Tweets of the week

"I feel strongly we in the poker world need to quit covering shady things up. This isn't the 60s and the Mafia probably won't whack anyone..."
Poker pro [[@ToddBrunson](https://twitter.com/ToddBrunson)]

"Ralph Topping remains in the job, but sportsbook William Hill is seeking a new CEO."
Vegas-based gaming reporter
Chris Sieroty [[@SierotyFeatures](https://twitter.com/SierotyFeatures)]

"Got a chuckle out of @partypokerUS FTP remissions promo - especially the promo code OFFTILT!"
Online Poker Report's
Chris Grove [[@OPReport](https://twitter.com/OPReport)]

- **GTech** are close to buying mobile gaming firm **Probability** for £18m.
- **Sands China** have announced an 80% increase in profits for 2013, while **Las Vegas Sands'** website is live again after a recent hacking attack.
- Activist investors **SpringOwl Gibraltar** have bought a 6.1% stake in **BwinParty**, causing a 5% jump in share price.

GUEST COLUMNIST
"SPORTSBOOKS: TIME FOR A FRESH APPROACH"



by **David McDowell**
technology firm CEO and co-founder

"With less than five months to go until the start of the biggest football tournament and betting event of the decade the majority of operators will go about it as if it were any other large sporting occasion. There may be more markets, products and channels and more ways to bet than in South Africa 2010 but their strategies remain fundamentally the same as they have done for many years. Post Cheltenham they will dedicate larger numbers of staff pre-tournament as well as during the four weeks, then gradually ramp up their advertising until they flood the various media channels with acquisition-style marketing and special offers with a particular emphasis on mobile, with one or two brands standing out based on the amount of marketing budget they're able to dispense with and noise they

can generate. Other than that there is very little to differentiate any of the major brands.

But modern times demand a modern approach. We may still be a young industry but things have moved on so it is high time that operators take a different view of how a sportsbook should be run, managed and presented to consumers.

Some of the largest software suppliers designed their software 15 years ago and that means that many operators are faced with a difficult decision about whether to migrate to a modern platform or to continue to invest in the patchwork quilt of their legacy systems. But it is not easy to switch from a bulky platform to a more modern sportsbook; it takes time, a huge amount of man hours and a significant investment alongside facing the prospect of doing this while customers continue to use your existing technology.

The principal element missing from most sportsbook platforms is an effective way of capturing and using 'big data' – a powerful CRM engine that would enable them to make use of customer insight to generate new business, retain existing players, drive efficiencies and boost profits.

The problem began a while ago. Suppliers started out as single-product businesses in either poker, casino, bingo or sports betting. As the industry grew, the major sportsbook operators had to find a way to present these additional verticals to their customers as one seamless suite of products. They had to do this with the customer wallet stuck inside their sports-betting platform, which was never designed to integrate third-party products. Ten

years ago, the norm was for customers to move their balances to their casino or poker wallet to play these games and then move it back to their sportsbook wallet if they wanted to place a bet. Although this problem has largely been solved, many operators still use these platforms today.

Most bookmakers cannot make use of big data at present. The majority are doing CRM manually and don't have the tools needed to set up and track hundreds of targeted marketing campaigns. Their data is captured in a separate data warehouse, if it is captured at all. These legacy platforms were not designed to support the feedback loops required to set-up, monitor and refine automated CRM campaigns. We have seen some of the largest operators outsource their gaming operations to a supplier who has experience running these marketing systems, and the next obvious evolutionary step for sports betting is to learn how to run large-scale CRM programs effectively.

It is time they thought hard about what it is they want to achieve come the next World Cup."

FSB Technology was co-founded in 2008 by Sam Lawrence and David McDowell, former founder and 12 years a serving board member of newly listed GameAccount Network that recently obtained a licence to supply technology to operators in the US state of New Jersey

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