

THIS WEEK

- Macau hit by more revenue decline
- Gavin Isaacs to judge Global Gaming Awards
- Columnist: Helen Walton on regulation
- Tweets of the week

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TOP STORY

LADBROKES SUFFERS BIG PROFIT DROP

UK operator confirms more shop closures as competitors enjoy record results



Operator Ladbrokes has reported a 44% decrease in pre-tax profit for the full year 2014 on the same day it confirmed 60 shop closures. The figures were published in a week where two of the company's bookmaker competitors posted much more successful results for last year.

Ladbrokes' full year pre-tax profit of £37.7m is almost a £30m drop from 2013's £67.6m figure, which itself was a decrease of over two-thirds. The firm said that the cost of operating low-profit stores and unfavourable results on Boxing Day – where it registered its worst ever football loss of £8m – impacted on the full year results.

Outgoing CEO Richard Glynn made the expected announcement that 60 more shops were to cease operating, on top of the 50 planned closures that were revealed in February last year and the 60 closures that were confirmed in October.

Glynn said: "Strong operational delivery delivered a second half of growth as envisaged but the £8m hit on Boxing Day did take some of the shine off our performance. Whilst recognising there are regulatory

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Ladbrokes is to close 60 of its shops

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headwinds, Ladbrokes is confident in his plans for 2015."

He added that Ladbrokes would be placing more of its focus on digital and international growth this year, with digital revenue being up 23% for 2014.

Ladbrokes confirmed in December that Glynn would be leaving his position as CEO this year, with the operator still searching for his replacement.

Meanwhile fellow operator William Hill reported record operating profit of £372.2m for 2014, an 11% increase from the £335m posted for 2013. Net revenue improved 8% to £1.6bn.

Paddy Power revealed record pre-tax profits of €167m for 2014, an increase of 21%. Its net revenue rose 18% to €882m, while gross profit went up 16% to €713.9m.

Betfair has also enjoyed a successful time of late, announcing a 20% revenue rise to £114.6m for Q3 FY15, which represents the fourth consecutive quarter of double-digit growth for the firm. EBITDA is up 17% to £23.6m for the period.

KEY POINTS

- Ladbrokes sees its pre-tax profit drop 44% for 2014
- Operator plans to close 60 more shops this year
- William Hill and Paddy Power post record profits

ASIA

MACAU HIT BY ANOTHER RECORD FALL

February comfortably beats record for year-on-year monthly revenue decrease

The Macau casino market has suffered a record drop in year-on-year monthly



revenue for the third time in the space of six months. The figures posted for February are a 48.6% slump to \$2.54bn (19.54bn patacas) from the same month in 2014, marking the ninth consecutive month that the year-on-year monthly total has decreased.

Macau's latest fall has broken the previous record decline of 30.4% in December last year, which itself surpassed the 23.2% figure posted in October.

Accumulated gross revenue for the year so far stands at \$5.41bn (43.29bn patacas), a 35.1% decrease from the \$8.35bn (66.74bn patacas) that had been generated at the same stage last year.

Last year saw Macau record its first annual fall in revenue since records began in 2002, with the yearly total of \$44bn (351.5bn patacas) being a 2.6% decline from the 2013 total of \$45.2bn.

KEY POINTS

- A new record has been set for the year-on-year monthly revenue drop for Macau casinos
- Figures have now declined for nine consecutive months

AWARDS

GAVIN ISAACS CONFIRMED AS GLOBAL GAMING AWARDS JUDGE
Scientific Games CEO is the first addition to 2015 panel

Scientific Games president and chief executive officer Gavin Isaacs has been announced as a new judge for the Global Gaming Awards.

As well as being a new addition to the Global Gaming Awards 2015 Judging Panel, Isaacs [pictured] is also the first judge to be confirmed for this year's awards, with more C-level figures set to follow in the near future.

The Global Gaming Awards are powered by *Gambling Insider* and brought to the industry in partnership with G2E Vegas. The Awards will see a panel of 50 judges select their winners and runners-up from a shortlist of 10 companies in each of the 12 awards categories. NYX Gaming Group is the Awards' Lead Partner for 2015.

KEY POINT

- Gavin Isaacs has been confirmed as a judge for the Global Gaming Awards 2015



Tweets of

"Many reasons for Ladbrokes decline but No1 surely has to be fact they're regularly worst price in market. But never mentioned in analysis." *Freelance betting journalist Tony Calvin* [[@tony_calvin](#)]

"William Hill CEO not talking M&A this morning... says they have lots of talks, lots of the time. No comment on whether anything in the works" *Reuters retail & leisure reporter Neil Maidment* [[@ReutersMaidment](#)]

"The question isn't whether we should have sports gambling. It already exists. Should it be transparent and regulated?" *The NBA's Dan Spillane at the MIT Sloan Sports Analytics Conference* [[@SloanSportsConf](#)]

GUEST COLUMNIST

"REGULATION AND INNOVATION"



by **Helen Walton**
Co-founder, Gamevy

"The UK gambling industry is highly regulated, offering a higher level of protection and reassurance to customers and helping make gambling a respected industry. Let me be very clear – I'm not suggesting that regulation is a bad thing. Yet it leads to a difficult environment for start-ups to flourish within, and that in turn inhibits innovation and competition. Can you name a successful start-up in gambling in the last five years?"

The inhibitors include:

Anti-MVP

The concept of the Lean Start-up is well known: start with a small experiment, test customer demand, adapt and change using real customer feedback. Be prepared to kill bad ideas quickly or change them beyond all recognition, while working hard to refine and improve good ones.

That's the theory. But in gambling, there's no such thing as a prototype or 'beta launch' – not if you want customers wagering real money. Rather than creating a playable front end and manually faking the back end while testing demand, any start-up must invest in the full panoply of testing, security, traceability, policies, documentation, training and fairly sophisticated monitoring. Only after

all that work has been done can the company test if the original idea has any real appeal.

At Gamevy, naturally we tested with customers – including launching a freemium game via Facebook – without real money. But money is actually the essential test. As generations of marketers have learned, "would you be prepared to spend money on this?" is a very poor substitute for seeing whether customers actually get out their wallets.

Cost

The straight-up cost of the licence for a small operator is around £20,000. Each director must also have a PML and undertake formal training. There are other required third-party costs, from a software testing house to identity checks.

Altogether, we calculated our remote casino operator licence at £50,000 in direct costs. Bear in mind that the average seed funding in the UK tends to be between £20-40,000. Even an SEIS is capped at £150,000. As a proportion of a small company's finances, it's huge.

Time

For a start-up, the burn rate can be almost as devastating as any direct cost. With a staff of nine, Gamevy took nine to 10 months to gain a licence – including a wait of five months from first submitting the documentation to hearing the result.

Expertise

One director took up the post of compliance officer full time, spending weeks researching, refining and creating the documentation for training, policies and procedures alone. There's no shortcut. Paying a third party increases costs and means you

never develop the expertise in-house, but it's a big chunk of attention for a non-revenue producing activity. Of course those with industry experience may find this less onerous, but we have been struck by how many 'experts' only have knowledge in a narrow vertical.

What's the answer?

Does it matter? Aren't customers content? Gambling companies constantly launching new designs of slots, different bets or access arrangements would probably bristle at the implication this isn't 'real' innovation.

I suggest we look to the games and social gaming market – a place of exceptional creativity delivered at break-neck pace. It's a scarily competitive arena but there's also no question that customers there see more new games in a month than gamblers come across in a decade.

Gambling companies have become unconsciously reliant on regulation as a form of protectionism. By raising the barriers to entry for new players, competition is limited. The danger, of course, is that every bookmaker starts to look alike and few have any content that is genuinely unique, leaving them chasing customers with ever larger promotional budgets.

And that, I'll be honest, sounds like a market that's ripe for disruption. So watch out guys. The barrier may be high, but it's not insurmountable."

Helen Walton is a co-founder of the start-up Gamevy, winner of Pitch ICE at ICE Totally Gaming 2015. They are bringing TV gameshows online with BornLucky Gameshows, an app where players combine luck and skill to compete for jackpots of up to £10,000, which will launch on the App Store soon

OUT NOW: Look out for the March/April issue of Gambling Insider's print magazine, featuring a Retention Special as we gather expert advice on how to ensure customer loyalty and engagement across online, land-based and mobile gaming channels in an increasingly competitive environment



Global Gaming Awards 2015: Nominations open



THE NOMINATIONS WINDOW FOR THE GLOBAL GAMING AWARDS 2015 HAS OFFICIALLY OPENED!

Nominations are being welcomed across all 12 categories - which cover both the land-based and digital gaming industries - for achievements during the past 12 months

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