



WEEK 19

FRIDAY 8 MAY 2015

THIS WEEK

- Portuguese market opens
- Macau revenue down
- Columnist: Tim Heath on bitcoin
- Tweets of the week

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TOP STORY

MGM RESORTS NET INCOME UP 65%

Figure reaches \$170m for Q1



MGM Resorts CEO Jim Murren

The net income attributable to casino operator MGM Resorts International increased 65% year-on-year for the first quarter of 2015. Figures released by MGM Resorts reveal a total of \$169.9m – up from \$102.7m for the same three-month period last year, while overall net income went up 12% to \$212.6m. Operating income is also down for the quarter, falling 5% to \$395.1m, with income before income taxes decreasing 15% to \$156.3m.

The net income rise has been achieved despite a 19% drop in casino revenue to \$1.28bn, while overall revenue fell 11% to \$2.33bn. Revenue from MGM China went down 33% to \$630.1m, with its adjusted EBITDA falling 38% to \$148m.

In April MGM Resorts announced a special dividend of \$400m from its 50/50 joint venture with investment company Dubai World in CityCenter, a mixed-use development, with the owners each receiving \$200m.

MGM Resorts chairman and CEO Jim Murren said of his firm's results: "With the anticipated difficult comparison of the first quarter behind us, we continue to see strong forward trends for the rest of the year in Las Vegas.

CONTINUED ON NEXT PAGE ►

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“We are actively improving our balance sheet with the recent announcement of a special dividend and regular dividend policy from CityCenter, the conversion of approximately \$1.45bn in convertible notes into equity and the agreement to amend and extend MGM China’s credit facility.”

Murren also recently confirmed that MGM Resorts is “wholeheartedly opposed” to a federal ban on online gambling in the US, following the introduction of the Restoration of America’s Wire Act (RAWA) in February. Murren sent out a response, published by Online Poker Report, to an article in the Las Vegas Review Journal which quoted him as saying that MGM Resorts’ “business model is not based on the internet driving business”.

Meanwhile operator Caesars Entertainment Corporation has reported a 21% increase in revenue from continuing operations in Q1. Net revenue reached \$1.095 billion, a figure which excludes results after 15 January from Caesars Entertainment Operating Co (CEOC), the subsidiary that was deconsolidated after filing for bankruptcy.

KEY POINTS

- MGM Resorts International reports a 65% year-on-year net income increase for Q1
- Casino revenue falls 19%
- Chairman and CEO Jim Murren has clarified the company’s opposition to a federal online gambling ban in the US

EUROPE

PORTUGUESE ONLINE MARKET TO OPEN IN JUNE

Country’s president approves law to allow foreign operators

Foreign operators will be allowed to offer online gambling services in Portugal



from 28 June. Portugal’s President Anibal Antonio Cavaco Silva [pictured] has approved and signed the country’s new online gaming legislation.

Adolfo Mesquita Nunes, Portugal’s secretary of state for tourism, said at a press conference: “We are preparing everything so that on 28 June the technical control structure is operating. We want to sign up as many operators as possible, particularly international operators.”

In February, Portugal’s Council of Ministers approved the legislation, which will bring an end to operator Santa Casa de la Misericordia’s monopoly of the Portuguese online gambling market. The text of a draft bill to alter online gambling legislation in Portugal had first been approved by the Council in June 2014.

Portugal received a €78bn bailout from Troika, a tripartite committee made up of the European Commission, International Monetary Fund and European Central Bank in 2011, and Troika reportedly ordered the government to have the new legislation in place by the end of February.

KEY POINTS

- June 28 has been set as the date foreign operators will be allowed to move into the Portuguese online gambling market
- Troika ordered for the new law to be passed in February

ASIA

MACAU MONTHLY REVENUE DOWN 39%

Total is lowest since January 2011

The Macau casino market suffered its worst month in over four years in April. Casino revenue for the region totalled 19.17bn patacas, according to the Gaming Inspection and Coordination Bureau, and is the lowest to have been reported since January 2011, when 18.57bn patacas was generated. The monthly total is down 39% year-on-year from 31.32bn patacas and marks an 11th consecutive monthly drop.

Macau casinos suffered an annual revenue drop last year for the first time since records began in 2002.

KEY POINT

- Macau casino revenue fell to its lowest point since January 2011 in April



Tweets of the week

“Wynn also said he remains adamantly opposed to web gaming. said feelings have not changed from year ago. Once was in biz, now won’t get in.”*Ralston Live host Jon Ralston*
[@RalstonReports]

“Kansas senate passes HB2155 to legalize fantasy sports, 37-1. Bill moves to House tomorrow.”*Freelance daily fantasy sports reporter Dustin Gouker*
[@DustinGouker]

“Quagmire for daily fantasy sports. The more ads, money, attention paid to it, the more likely a major upheaval is, just like poker’s past.”*PocketFives writer Dan Cypra*
[@cypradn]

EVENT REPORT

**KPMG GIBRALTAR
eSUMMIT A SUCCESS**

Speakers and panels cover topics from regulation to emerging payments



Another successful KPMG Gibraltar eSummit saw over 240 delegates enjoy a two-day programme at the Sunborn, Gibraltar on 23 and 24 April.

This year's summit represented an evolution of the traditional format, extending over two days, including four additional break-out sessions in parallel to the main programme.

The Hon. Albert Isola, Minister for Financial Services and Gaming with the Government of Gibraltar, opened proceedings by recognising the importance of the private and public sectors' total commitment to compliance and reaffirming Gibraltar's philosophy of entertaining only the highest quality operators willing to contribute to maintaining its regulatory and legislative reputation.

Gambling Commissioner Phill Brear then took to the stage with an introductory overview of Gibraltar's gaming economy, which now accounts for over 3,000 employees and 34 operators, before moderating a panel review of gambling regulation in Gibraltar, with particular emphasis upon the process of updating Gibraltar's Gambling Act 2005 and licensing arrangements to create an enabling legal and regulatory framework.

Eris Industries' Preston Byrne took over for the Summit's first coffee and conferencing session, discussing the potential applications of the Blockchain 2.0 in today's digital environment.

MasterCard's Andrew Johnstone followed as moderator to a panel of payment specialists who together tackled emerging payments in their form, application and function. Topics ranged from product innovation and regulation to global M&A activity and the definition of an emerging payment itself.

Following lunch, Peter Howitt of the GBGA moderated a panel discussion on the role of social responsibility in gaming. Panellists, including representatives of the Senet Group, shared their thoughts on stakeholder responsibility, the role of the media and politicians, and the importance of public industry collaboration on the matter.

Tim Stocks of Taylor Wessing then took over with a presentation entitled Red Carnations and Slaying Dragons. Here the public markets specialist provided his audience with an evaluation and forecast of M&A and overall market activity within the global e-gaming sector, also identifying the blooming of opportunity and those likely to be slain by the process.

Mr Stocks was followed by Paul Lasok QC, whose coffee and conferencing presentation offered insight into the implications of fiscal neutrality and VAT in the European Union.

A final panel session, moderated by Peter Montegriffo of Hassans, closed Day 1 with a discussion on the evolution of gambling from the particular perspective of the operator. Here, well-known industry



figures discussed Gibraltar's sector at what was described as a 'point of reflection', as Gibraltar seeks to update its regulatory regime and operators respond to the UK's point-of-consumption taxation regime.

Day 2 saw delegates welcomed by KPMG's Head of eBusiness, Archie Watt, following the previous evening's gala dinner hosted by the Government of Gibraltar at St Michael's Cave.

The evolution of gambling, this time from the regulator's perspective, was the first topic of discussion as the panel of regulators Phill Brear, Hakan Hallstedt and Jenny Williams, moderated by IMGL



President Joerg Hofmann, debated the importance of regulator personality, accessibility and independence, as well as discussing the importance of cross-border collaboration, market growth and responsible gambling.

Conference regular Paul Leyland then took over to deliver the penultimate presentation entitled 'The Multi-channel Value Equation'. Here, Mr Leyland contemplated the benefits and disbenefits of the industry's latest focus: omni-channel presence. He concluded that, in many cases, the big winner is the customer and the big loser many operators.

Providing the final presentation of the summit was Martina King and David Excell of Featurespace, who narrated the company's development from a Cambridge University laboratory experiment to a critical provider of big data analytics.

Closing words from KPMG's Russell Kelly thanked the event's sponsors, media partners (including *Gambling Insider*), event organisers Ashgrove Marketing, and all speakers and attendees.

Managing Director of KPMG Gibraltar, Micky Swindale, said: "The challenge of curating and organising our eSummit series increases as they grow in popularity and scale each year. Yet despite this, and as we celebrate the success of this year's eSummit, it is clear that the enthusiasm and impetus generated is growing in kind."

GUEST COLUMNIST

"THE POWER OF BITCOIN"



by **Tim Heath**
CEO,
Coingaming.io

"Bitcoin has been described as "one of the most dangerous ideas" by industry trend watcher Sander Duivesteyn, and he is right. But before we consider Bitcoin, we need to understand some of the trends behind the decentralised internet and the peer-to-peer social economy. We are witnessing a metamorphosis of the way we currently perceive and access the current incarnation of the internet. In some ways, it could be described as similar to a 'parallel universe', where we have identical processes but just in reverse.

New technologies are all around us, whether we are self-aware of them or not. There are many reasons for the growth in the decentralised internet. Some ideological ones, but fundamentally this new version of the internet is where people can communicate freely without censorship, without big corporations acting like 'big brother' infringing on your digital privacy and data.

This people-powered network of applications and services already abounds. We have the Internet of Things (IoT), which connects previously innate or dumb objects such as appliances, cars and home thermostats to a connected internet whereby these devices become smart-enabled, making our mundane lives easier.

Even the current social behemoths such as Facebook and Twitter are not immune

to a parallel decentralised version being made. Twister, for those that haven't heard of the company, is a peer-to-peer micro-blogging social network operating in a decentralised framework. It is designed to prevent other Twister users or advertisers from knowing too much about your personal details and online behaviour.

It doesn't end there – even the mighty Intel has introduced an SD-sized computer chip called the Edison to power the next generation of wearables that will come with powerful computing capabilities onboard.

More common examples of decentralisation and peer-to-peer applications and services are Skype (peer-to-peer telephony), Bittorrent (peer-to-peer file sharing) and M-Pesa (peer-to-peer SMS-based financial transactions). We have services such as Dwolla, VenMo and Square Cash that offer a platform for online and mobile payments between peers.

If we return to the Bitcoin environment, we have Namecoin, based on cryptocurrency applications that are an alternative domain name registration system for .bit top-level domains. Another is Ethereum, which is a decentralised, cryptographic ledger that allows users to encode transactions, contracts and applications, including custom currencies and financial derivatives.

Of course Bitcoin, like many innovations, has its detractors. However, the metamorphosis is underway. The current financial intuitions have woken up to Bitcoin and its impact on the banking supply chain. It was just last year the Bank of England published a report describing the blockchain that is the underlying application process of Bitcoin as a

"significant innovation" that has "far-reaching implications".

Furthermore, leading C-level executives such as Oliver Bussmann, who is the current group chief information officer of Swiss bank UBS, was quoted in the press as saying: "I believe, and this is my personal view, that blockchain technology will not only change the way we do payments, but it will change the whole trading and settlement topic."

Bitcoin as a decentralised internet-based payment protocol has numerous advantages over the traditional set-ups that are controlled by banks, notaries and insurance companies. That's why they are worried. Specifically, the Bitcoin blockchain (ledger) is open and transparent – there is nothing to hide or steal. The 'users' pseudo-anonymously control their private keys (previously the banking system) to the blockchain ledger, and data (Bitcoins) are cryptographically transferred (thus updating ownership on the blockchain ledger).

However the real panacea could be that bitcoin and the blockchain technology has the potential to service hundreds of millions of potential customers globally that are labelled as 'underbanked' and who do not have access to traditional payment methods, and indeed only wish to transact in a decentralised peer-to-peer ecosystem."

Tim Heath has over 10 years' of management experience within technology and online gaming. He is the CEO of Coingaming.io, a software provider for white-label Bitcoin casino solutions

OUT NOW: Look out for the May/June issue of Gambling Insider's print magazine, featuring a USA Special as we speak exclusively with Scientific Games president and CEO Gavin Isaacs about his ambitious plans for the expanding provider following some major acquisitions





HEAD OF QUANTITATIVE ANALYSIS

Location: Bucharest
Contract: Full-Time

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