



WEEK 44

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THIS WEEK

- Penn National reports soaring sales figures
- Hollywood hits Macau for casino launch
- ESports betting to be \$23bn market by 2020
- Columnist: Roberto Valerio on data privacy

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TOP STORY

GALA BINGO RETAIL SALE AGREED

Caledonia Investments snaps up retail division, while Gala Coral retains online brands



Caledonia spent £241m on the Gala Bingo retail division

Gala Coral is paving the way for its proposed merger with Ladbrokes by agreeing to sell its Gala Bingo retail division to investment trust company Caledonia Investments for £241m.

Caledonia will purchase 130 Gala Bingo clubs from the operator, while Gala Coral will retain ownership of both the Gala brand and the websites Galabingo.com and Galacasino.com. Gala Retail CEO Simon Wykes will remain with the business.

Gala Coral said the sale will “pave the way” for its proposed merger with fellow operator Ladbrokes, which was announced in July and is awaiting approval from the Competition and Markets Authority. It was confirmed at that time of the announcement that the Gala land-based bingo clubs would not form part of the combined entity.

Lorien Pilling, director of Global Betting and Gaming Consultants, told *Gambling Insider* the consultancy has found it difficult to work out why Caledonia has emerged as the planned buyer of Gala Bingo, but predicts that the reason for the acquisition may not be gambling related.

“It seems like a strange acquisition,” he said. “We think £241m is quite

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a lot for a sector of the gambling business that doesn't immediately seem to be on the up.

"Caledonia is probably interested in it for its dividend. The purchase price was reflecting about a 4.3 multiple of EBITDA. I suppose it's more of an investment decision rather than a practical business decision to get into gambling."

Ladbrokes posted group EBIT of £14.3m for the three months ended September 30, down 57% year-on-year, while rival William Hill reported a 39% year-on-year operating profit drop for the 13 weeks ended September 29, without releasing specific figures that the decrease was to and from.

David Jennings, an analyst at Davy Research, told *Gambling Insider*: "Both have been impacted in the third quarter by weak gross win margins across their businesses. It's a double whammy, with margins going from above average to below average and that really comes down to sports results, specifically horseracing results in September, which impacted on both of them."

KEY POINTS

- Gala Bingo's retail division will be sold to Caledonia Investments for £241m
- The sale will "pave the way" for Gala Coral's proposed merger with Ladbrokes
- The announcement follows Q3 downturns for Ladbrokes and William Hill

FINANCIAL PENN NATIONAL REPORTS STRONG Q3 FIGURES

Net revenues and adjusted EBITDA are up for the operator, while Pennsylvania considers legalising airport slot machines

Net revenues reported by Penn National Gaming increased 14%



year-on-year to \$739.3m for the three months to September 30.

Adjusted EBITDA was \$210.1m, which surpassed its predicted total of \$197.7m and was a year-on-year increase of 23%.

The operator's Plainridge Park Casino became the first legal casino to operate in Massachusetts when it opened for business in June, making Massachusetts the 40th US state to offer legalised casino gambling.

Penn National has predicted that net revenues will increase 11% to \$722.5m for the three months ended December 31.

Meanwhile, a hearing was held at the Harrisburg International Airport on Monday on HB 1408, which proposes the legalisation of slot machines being operated in six Pennsylvania airports. Only ticketed passengers would be able to play at the machines.

KEY POINT

- Penn National's net revenues for Q3 2015 were \$739.3m, up 14% year-on-year

ASIA

HOLLYWOOD STARS IN MACAU FOR CASINO OPENING CEREMONY

Melco Crown attempts to arrest sliding revenues by opening new casino

Melco Crown Entertainment's \$3.2bn Studio City casino in Macau opened this week in an effort to turn around its fortunes in a declining casino gaming market. Macau chief executive Dr Fernando Chui Sai On was in attendance at the opening ceremony, which featured a performance from singer Mariah Carey, live jazz and the airing of an advertisement for Melco Crown produced by Martin Scorsese and starring Leonardo DiCaprio and Robert De Niro. The Macau casino market has seen its gross revenue decrease year-on-year in all of the last 16 months and September's figure of 17.13bn patacas was the lowest to have been reported since September 2010. Melco Crown reported a 24% year-on-year fall in casino operating revenues to \$1.89bn for the first six months of 2015.



KEY POINT

- Melco Crown's Studio City opened this week

ONLINE

ESPORTS COULD BE A \$23BN BETTING MARKET BY 2020

Research figures revealed in panel discussion at EiG

ESports will grow from a \$250m global wagering market in 2015 to one worth \$23bn by 2020, according to new research.

The figures were revealed at a panel discussion at the Excellence in iGaming conference in Berlin that gathered to discuss the key issues affecting the growing eSports gaming market.

It is currently operator Pinnacle Sports' seventh largest market, ahead

of golf and rugby, and its head of sportsbook Marco Blume expects it to overtake hockey soon and then take on the likes of football and tennis.

He said: "You can bet on eSports any day of the year, any time of the day. It is 24/7, 365. There are no breaks and there is always something you can bet on. The potential is huge."

Research firm Newzoo estimates that global eSports awareness will reach a total of 1.2 billion gamers by 2017.

KEY POINT

- The eSports betting market is predicted to be worth \$23bn by 2020



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GUEST COLUMNIST

“SAFE HARBOUR SUSPENSION BRINGS DATA PRIVACY TO THE FORE”



by Roberto Valerio
CEO, Risk Ident

The European Court of Justice ruled in October that it would be suspending the transatlantic data transfer framework that allowed the sharing and storing of European citizens’ data with the US.

The agreement, known as Safe Harbour, has been active since 2000 and was essentially an agreement between the European Commission and the US government that promised to protect EU citizens’ data if transferred to the US. This could include companies with international entities, but also any organisation that shares information with the US for anti-fraud or even marketing processes.

The agreement was ruled invalid after concerns over intervention issues were raised. It was found that Safe Harbour did not allow for data protection watchdogs to intervene on behalf of EU citizens who felt that their privacy had been compromised.

The ruling could spark major change for international businesses and we expect it to have a significant effect on the way organisations on both sides of the Atlantic handle their data privacy, as well as their anti-fraud processes, particularly when this is largely dependent on sharing data with the US.

A large number of technology businesses, including some online gambling organisations that handle personal data of EU citizens in the US, may now have to consider using local European-based data centres for all of their EU customers’ data, ensuring they adhere to often stricter European data privacy laws.

At Risk Ident we believe that privacy is important and should be respected, even in the fight against fraud. The ECJ ruling could completely change how some organisations use and share data, although setting up data centres in Europe will not simply resolve the issue.

The US Freedom Act Section 702 is likely to remain in use by the US government, which will still allow it to obtain data stored in Europe. If gamblers in Europe have any data sharing concerns, it’s up to the operators to be transparent and ensure that users are informed about where their data is, where it might go and who might be accessing it.

We do not expect the ruling to be a barrier for gambling businesses, however, it may cause friction and take affected companies time to adapt to the suspension. Businesses in some of Europe’s strongest economies, including the UK and France, are likely to feel the effects most because of their data exchanging relationships with the US as part of their fraud prevention practices. However, organisations in Malta and Gibraltar will not be unaffected if they too share data across the Atlantic.

Today, too many organisations argue that it is in the best interests of their users to surrender more of their privacy, arguing that it will ultimately keep them safer online. As the TalkTalk story has highlighted this week, consumers

can be lax about how their data is kept, until their trust is breached and they explore the systems and processes in place may be insufficient.

It is possible to keep personalised information separate from anonymised data, such as device identification data, while keeping users secure. European data privacy laws are central to our technology and expertise at Risk Ident. We firmly believe that smarter fraud prevention technology can maintain privacy without compromising on security. Ultimately, we welcome the ruling from the ECJ, which publicly and legislatively recognises the importance of data privacy from all organisation in Europe.

Its decision has ignited renewed attention on the ethics of sharing personal data across continental jurisdictions and could also provide a boost to the digital organisations based in Europe as the continent retains ownership of personal data management.

Roberto Valerio is the CEO of Risk Ident, leading the day-to-day management of the company. He is responsible for driving the development of the business to serve organisations in need of a modern, intelligent approach to online fraud prevention, using machine learning and device ID.

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

OUT NOW: Look out for the September/October issue of Gambling Insider’s print magazine, featuring a Player Special as we take a journey into the mind of the modern gambler to uncover their most notable trends, behaviour and desires

