



WEEK 10

FRIDAY 4 MAR 2016

THIS WEEK

- William Hill latest to suffer from PoC fallout
- MTGA awarded casino licence in South Korea
- Georgia turns its back on DFS, casinos
- Columnist: Shlomi Barak, CEO Euro Partners

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TOP STORY

LIQUIDITY ISSUES FUEL NJ SCEPTICISM

Experts remain unconvinced of PokerStars' impact on the state's i-gaming market



Expect to see Team Pokerstars Pro out in force trying to raise the profile of i-poker once PokerStars launches in New Jersey

Reaction from both inside and outside the industry has been mixed since PokerStars owner Amaya announced late last month that the site is soon to offer online poker in the US for the first time in almost five years.

"I expect PokerStars will quickly vie for market leadership, given the fact that not all of the New Jersey licensees are currently offering poker", says Lorien Pilling, Director at consultancy GBGC.

Chris Grove of OnlinePokerReport agrees that it's "quite plausible that PokerStars will almost immediately become a competitive network in New Jersey".

However he also believes the operator will be "somewhat hampered" by the fact that their land-based partner Resorts "does not have the sort of reputation for offering live poker that Borgata has" – a reputation which has played a "big part" in Borgata's online success.

Market leadership is all relative of course, with the key consideration being the overall size of the New Jersey online poker market.

"I-poker has been withering on the vine for quite some time now", says

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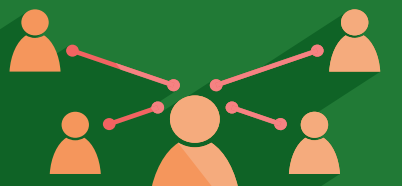
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FROM FRONT PAGE ►

Victor Rocha of Pechanga.net. "We'll see if PokerStars can bring the rain – it's an endeavour worthy of Sisyphus."

Monthly online poker gaming wins for New Jersey from November 2015 to January 2016 is reported as being \$1.96m, \$1.98m and \$2.15m.

A recent Digital & Interactive Gaming report from boutique research firm Eilers & Krejcik states that PokerStars' New Jersey entry "could provide a short-term boost, but we remain sceptical that the market can reliably produce anything more than \$3m a month long term. Realistically, a year after PokerStars' launch, the market is likely to be back around \$2m a month."

Alex Bumazhny of Fitch Ratings states: "The main issue keeping the market back is the lack of liquidity in intrastate poker."

Eilers & Krejcik have echoed that sentiment, claiming: "Pennsylvania would be a start, California would be a boost, but only international liquidity holds the potential to transform NJ's online poker revenue potential."

KEY POINTS

- PokerStars will re-enter New Jersey on 21 March
- Analysts believe firm will immediately challenge for market leadership
- Major market growth considered unlikely without shared liquidity across states, preferably internationally

UK SPORTS-BETTING

WILLIAM HILL FIGURES ARE LATEST TO SHOW POC SCARS

Hills' 2015 online business dented by Point-of-Consumption tax factor

It was hard to miss the impact of POCT when William Hill released its full year 2015 financials. Key figures included:

- 108 retail shop closures in 2014
- Hills said the POCT was the driver of its online operating profit decline of 29% to £126.5m and that William Hill Online incurred an additional £66.4m in taxing as a result of the POCT
- That £66.4m figure was a significant chunk of a 147% increase in online cost of sales to £126.1m
- Group operating profit went up 2% to £291.4m, excluding an increased

c.£87m of additional UK gambling duties (this could include the rise in machine gaming duty from 20% to 25%). When including the duties, operating profit was down 22%

- Pre-exceptional profit before interest and tax descended 22% to £283.3m, also partially as a result of the c.£87m higher duties

Online net revenue was £550.7m, an increase of 4%.

Were it not for the POCT, online net revenue would have been approximately £648m and would have showcased an improvement of 23%.

ASIA CASINOS

MTGA TO BUILD SOUTH KOREA CASINO

Mohegan Sun operator gets green light to develop \$5bn resort

The Mohegan Tribal Gaming Authority (MTGA) has been awarded a licence to develop an integrated resort in South Korea.

The MTGA, which already operates Mohegan Sun properties throughout the United States, will build a "first-of-its kind" \$5bn resort at Incheon

International Airport along with its partners KCC Corporation and Incheon International Airport Corp (IIAC).

The multi-phase development project, named Project Inspire, will include a 20,000 square metre casino with 250 tables and 1,500 slot machines. It will also feature a three-tower luxury hotel complex with 1,350 five star and six star guest rooms.

Additionally, the project will boast the largest entertainment arena in South Korea, with capacity for up to 15,000 attendants at cultural and sporting events. There will also be a Paramount Studios-themed amusement park and an adventure park.

Early indications are that phase one of Project Inspire is estimated to cost in the region of \$1.6bn.

Regulatory developments were made both in land-based and online in Georgia this week, as reports of the attorney general's office deeming daily fantasy sports to be against state law were followed by the postponement of a Georgia House vote on a bill that would legalise casino gambling until at least the next legislative session.

Deputy AG William Wright Banks Jr. and assistant AG Brooke Heinz explained the decision in a letter to Joseph Kim, SVP and general counsel of the Georgia Lottery Corporation, published by Legal Sports Report, stating: "In daily fantasy sports, a participant whose purported skill level has not changed from one game to the next is just as likely to win one tournament, then lose the next tournament due to the performance of players outside of the participant's control."

Casino gambling bill Georgia House Resolution 807 could not be voted on as it could not be passed on to the Senate before Crossover Day on 29 February.

MOVERS AND SHAKERS

888 APPOINTS FRIEBERGER AS NEW CEO

Former COO officially steps up after five years in previous role

Online operator 888 Holdings has promoted now former chief operating officer Itai Frieberger to be its CEO. Newly appointed non-executive chairman Brian Mattingley has commented on the hire, saying: "Itai has played a vital part in 888's success to date and has unique market insight and experience to lead the next chapter in 888's progress."

"I am certain that Itai, alongside Aviad Kobrine, our CFO, and our exceptional team across the business will continue to drive 888's growth by further developing our first-class customer offering, unrivalled proprietary technology and leading back office systems."

Frieberger added: "It's an honour to be appointed as the new CEO of 888. We have fantastic brands, first class gaming platforms and unrivalled analytics and marketing capabilities."

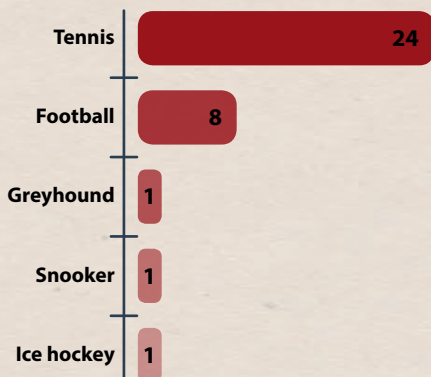
US LEGAL
GEORGIA CALLS DFS ILLEGAL, RULES STATE CANNOT VOTE ON CASINO BILL
 The state AG's office makes its stance on DFS clear as time runs out on voting on issue of legalising casinos

THIS WEEK IN NUMBERS

The facts and figures that have caught our eye in the past seven days

ESSA Suspicious betting alerts Q4 2015 by sport

Source: Essa Q4 2015 Integrity Report



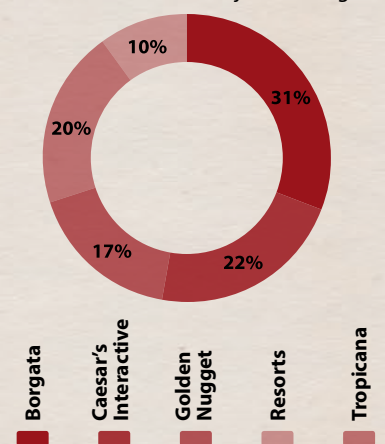
21 Consecutive months Macau's year-on-year revenue has fallen



3% Nevada gaming revenue fall in January

£280k Paddy Power's social responsibility donation after failings highlighted in a Gambling Commission report

NJ i-Gaming Market Share - Jan 2016
 Source: NJ DGE, Eilers & Krejcik Gaming, LLC



33,926

Number of positive gambling-related instagram hashtags in a survey conducted by OnlineCasino.ca. 9,636 hashtags were negative

20% New Trump Taj Mahal owner Icahn Enterprises' annual revenue drop in 2015

GUEST COLUMNIST

"MAKING THE MOST OF BRAND AMBASSADORS"


by **Shlomi Barak**
CEO,
EuroPartners.com

Using a well-known personality to represent a brand provides reliable, trustworthy and positive exposure to both the brand and its business. We believe that employing a brand ambassador provides not only an insider's knowledge, whether it's coming from a former sports star or pro poker player, but also humanises the brand with a familiar face, making it much more attractive than an impersonal corporation, just as George Clooney does by representing Nespresso and John Barnes does by representing Titanbet.co.uk.

There are many advantages to having an ambassador represent and promote your gaming brand but there are potential downsides as well, especially if an appropriate ambassador is not selected or if the terms of employment are not clearly defined or monitored. Most of these pros and cons are relevant to all industries but there are also those relating specifically to gaming.

A celebrity ambassador grants a good deal of prestige to a brand, but the more well-known the personality, the more expensive the relationship. As one of their main objectives, brand ambassadors encourage prospective customers to follow their

recommendation and sign up. These ambassadors often appear in the media, speaking from authority and helping establish and maintain a brand's reputation, both online and offline.

Despite the expense, employing a brand ambassador should actually be a cost effective part of a firm's marketing budget, both in terms of acquisition and retention. The acquisition KPIs should be the improvement of conversion from visit to sign-up to deposit, and retention-wise KPIs are higher retention rates and the increased loyalty of the brand's customers.

Ambassadors promote the brand's message while speaking to the public without it sounding entirely like an advertisement. These are audiences with whom the brand would not otherwise have been able to connect. An ambassador's well-established social media presence transfers to the brand and helps create a constant buzz around a gaming company's news, activities and promotions. This can be easily measured by tracking social signals and customer engagement in the brand's different social channels. Setting relevant KPIs such as number of new followers, likes, retweets, favourites and shares are essential for assessing the impact of an ambassador's influence.

As an example, the selection of Liverpool and England football legend John Barnes as official ambassador of the UK-facing Titanbet sportsbook capitalised on both Barnes' excellent knowledge of the game and his well-known personality. Our strategy is to use him to grow awareness and credibility in the UK marketplace. Barnes' authoritative blogs, tweets, football predictions and public appearances all achieve that goal

as well as increase the confidence of our sportsbook's customers.

Brand ambassadors must promote the brand and not themselves. However, despite all the positive aspects of employing a brand ambassador, other considerations must be made. Candidates for the position must be capable of representing the brand's values and not cause damage to its reputation by inappropriate use of their celebrity status. It would be a mistake to structure an entire marketing plan and budget around the ambassador. Instead, use of the ambassador should serve as an integral part of a firm's overall marketing strategy.

Care must be taken to ensure that a firm's target audience develops a connection with the brand and not solely with the ambassador representing it. In some cases, the ambassador's appeal may be short-lived, or alternatively his or her popularity could compete with that of the brand. Certain ambassadors may not be capable of representing all fields in which a company is engaged as they are well-known only for a specific profession.

If a company has determined specific, measurable goals, it would be important to review achievements on a regular basis. This will ensure that a brand ambassador can effectively promote the gaming firm and its activities.

Shlomi Barak is a licensed CPA who has developed a career in internet technologies and online marketing. He has been in the industry for 16 years. As CEO of Euro Partners, one of the largest gaming affiliation programmes, he has established Titanbet.co.uk as a leading multi-brand in the regulated UK market.

OUT SOON: Look out for the March/April issue of *Gambling Insider's* print magazine, because it's time for this year's marketing special. Exclusive content in the issue includes interviews with Ladbrokes' new CMO Kristof Fahy and NYX Gaming Group CEO Matt Davey

