



WEEK 11

FRIDAY 11 MAR 2016

THIS WEEK

- Paddy Power Betfair's first combined results
- 888 is latest poker operator to ditch rakeback
- Florida Senate rejects tribal compact
- Column: Catherine Hickey, VP Sales EMEA Junio

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TOP STORY

DFS OFFICIALLY LEGAL IN FIRST US STATE

Virginia leading the charge on daily fantasy sport regulation, others set to follow



Virginia residents can now legally play DFS games, of which NFL tournaments are the most popular

Virginia has become the first US state to specifically legalise daily fantasy sports (DFS) after Governor Terry McAuliffe signed SB 646 into law. The Fantasy Contests Act confirms that DFS contests conducted in accordance with its measures will not be considered illegal gambling.

DFS operators will be required to register with the Department of Agriculture and Consumer Services for an initial fee of \$50,000. They must register annually with the Department and also contract with a testing laboratory to verify the procedures for fantasy contests.

Under the new legislation, employees or relatives of employees must not compete in that firm's DFS contests, while procedures must also be established to ensure that players who are the subject of a fantasy contest are restricted from entering. Players need to be over 18 to play, while operators must allow players to restrict themselves from entering contests as required.

The bill sets forth penalties for violating the Act, which include the suspension or revocation of registration and a fine of up to \$1,000 for each violation.

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FROM FRONT PAGE ►

Brian Coy, a spokesman for the governor's office, said in a statement: "This bill, which was passed by super majorities of both chambers, will empower Virginia to regulate this emerging industry and keep consumers safe from abuses."

Following Virginia's example, Indiana has become the second state to send a DFS bill to its governor after the House and Senate passed SB 339. The legislation provides for the regulation of DFS, confirming that it does not constitute gaming. A licence would cost \$50,000, alongside an annual renewal fee of \$5,000.

Elsewhere, Texas has reached a settlement with DFS operator FanDuel, under which the company will withdraw its services from the state as of 2 May. The agreement follows Attorney General Ken Paxton's 19 January opinion stating that paid DFS contests are illegal under current Texas law. However DFS operator DraftKings has filed suit in Texas and wants a state court to rule on the legality of DFS.

In addition, Democratic State Senator Jim Whelan has introduced legislation to regulate and tax DFS in New Jersey.

KEY POINTS

- Virginia is the first US state to legalise DFS
- Indiana has sent a DFS regulation bill to its governor
- FanDuel pulls out of Texas; DraftKings remains

US CASINOS

FLORIDA SENATE REJECTS TRIBAL COMPACT

\$3bn deal had been approved by Governor Rick Scott

Florida lawmakers have rejected a new Tribal-State Gaming Compact. The proposal, which would allow the Seminole Tribe exclusivity on craps and roulette in addition to its current blackjack exclusivity, had previously gone through months of negotiations between the tribe and Florida Governor Rick Scott. It was expected to generate \$3bn for the state over a seven-year period, making it the biggest tribal revenue agreement in the country.

Having passed the State House, the bill came to a standstill in the Senate last week; supporters gave up on the idea when they realised it would be impossible for the development to make any ground before the 11 March deadline.

The compact would have created 4,800 new direct and indirect jobs, 14,500 direct and indirect construction jobs, and generated \$1.8bn in capital investment.

The 2010 compact between the state and the Seminoles expired last year.

ONLINE POKER

888POKER TO DROP RAKEBACK SYSTEM

Previous scheme replaced by new 888poker Club

Online poker giant 888poker is to change its loyalty programme from a traditional rakeback model to a revamped system based on tokens, challenges and level progression.

The new offering, called 888poker Club, is set to launch on 28 March. The remodelled programme will feature daily free tournaments which offer a chance to win \$100,000 a month. Players will

also receive scratchcards for every five levels they climb. Level progress is based on achieving targets. Players can also receive tokens which can be exchanged for prizes as they reach required points.

Despite changes to the reward system, 888 has vowed to keep current cashback commitments. This existing system allows players to earn cashback based on the volume of play.

CHINA
MATCH POKER HEADING FOR CHINA

Agreement reached between Alibaba and Oceans

E-commerce firm Alibaba Group has struck a deal with media agency Oceans Sport and Entertainment to bring Oceans' non-gambling game Match Poker to China.

Details of the deal have not been released, but what has been disclosed is that the companies main aim is to cultivate two million Chinese poker players over the next five years.

Apart from the regions of Hong Kong and Macau, and in state-governed

lotteries, gambling in the country is illegal. However, unlike variants such as Hold'em and Stud, Match Poker has removed many of the traditional elements involved in poker in order to bypass laws in such countries. The product, created by the International Federation of Poker (IFP), is a team-based version of poker where players play for points rather than money, cards are dealt via smartphones rather than in person, and every player has an equal chance of winning, meaning that skill will determine the victor instead of any element of luck.

FINANCIALS
PADDY POWER BETFAIR RESULTS REVEALED

Combined group generated £1.32bn net revenue in 2015

Financial results for Paddy Power Betfair have been announced for the first time since the operators merged in February.

The results were reported separately as well as combined, with Paddy Power's figures reflecting the full

year 2015 period, Betfair's figures showcasing its performance for the three months ended 31 January, and the combined figures for the full year 2015.

Paddy Power reported that its full-year net revenue passed the €1bn mark for the first time, increasing 24% to €1.09bn. EBITDA went up 10% to €233m, operating profit ascended 10% to €180.4m, while profit before tax crept up 8% to €179.7m. Diluted earnings per share were 332.8 cents, up 12%.

For Betfair's Q3 results, revenue rose 21% year-on-year to £138.3m, which was said to be primarily driven by a 51% rise in sportsbook stakes and improved football results. EBITDA improved 10%, moving from £23.6m to £26m.

The combined results did not outline the singular contributions of either operator, but did show that total net revenue for the group was £1.32bn, with online net revenue accounting for £748m (72%) of that total. Gross profit for the group was £1.01bn and underlying EBITDA was £295.7m.

THIS WEEK IN NUMBERS

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

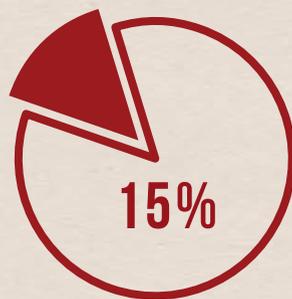
5 US states where legislative efforts to regulate DFS have failed



The approximate projected gambling turnover for Euro 2016, according to Global Betting and Gaming Consultants

10%

Percentage of Macau casino 2015 gross revenue made from table games – 23.29bn patacas (£2.05bn) of 230.84bn patacas (£20.29bn)



Poker's share of New Jersey's internet gaming win (\$2.2m of \$14.6m) for January

£890M

Approximate difference between combined net revenue for the impending Ladbrokes Coral (£2.21bn) and newly-formed Paddy Power Betfair (£1.32bn) when looking at each operator's latest full-year report



Registered Lottoland users

8.5 MILLION

The estimated number of UK season-long fantasy sports players

93%

The minimum percentage of UK betting shops that did not present suspicious activity reports for 2014/2015, according to the Association of British Bookmakers



Total prize pool for the 2015 World Series of Poker

GUEST COLUMNIST

**THE ONLINE GAMING
INDUSTRY IS BEING
HAMMERED BY ABANDONMENT**


By Catherine Hickey
VP Sales EMEA,
Jumio

We live in a world of convenience, and developments in mobile technology over the last decade have been pivotal in driving this phenomenon. The average consumer can access retail accounts or monitor their banking in the palm of their hand through smartphones and iPads. Online gamblers in particular have taken to mobile accounts in droves.

Indeed, with 78% of Paddy Power's customer base transacting via mobile devices in the first half of 2015, and 67% of their online revenue deriving from the same source, the rate of mobile registration for gaming points to a figure far surpassing the 45% given for total interactive gaming gross win by 2018, as predicted by H2 Gambling Capital in 2014. But this begs the classic question: 'What's the catch?'

The answer is simple. Despite the boom in mobile accounts, companies are suffering from abandonment at all stages of the process from registration to deposit. Jumio's 2015 survey with Harris Research found that one quarter of UK consumers who had attempted to open a gaming account had given up before completion.

Unfortunately, gambling operators are losing customers and money at the first

hurdle. Lengthy registration processes demanding customer identification in order to comply with money laundering and KYC regulations are chief offenders when driving account holders away.

Jumio's research indicates that abandonment during the registration phase cost UK gaming companies approximately £39m in 2015. Moreover, the survey results suggest that the €34.6bn figure provided by H2 Gambling Capital for mobile gaming gross win revenues in 2016 could be a much higher €42bn were it not for abandonment during the initial stage of account start-ups.

Although resolvable, this is by no means the only cause of abandonment for mobile gamblers. With operators reporting a one to two minute duration, the deposit stage is underachieving in customer retention. Moreover, this stage may see an even higher rate of abandonment than registration, with an average of 19% among operators. Some operators have reported abandonment rates of up to 70%, highlighting the extent of the problem.

Instead of experiencing a convenient and rapid process, customers are bogged down with payment page redirects such as 3D Secure, all representing opportunities for abandonment at the deposit stage.

In countries such as Spain and France, player complaints are frequently aired in forums, bemoaning long and complex authentication processes. These procedures often involve the physical submission of documents such as passports or national insurance, further discouraging players who fear for their data protection in these circumstances.

Ultimately, the results of these awkward and time-consuming

processes can be seen best in churn rates. Frustrating payout processes see players churn to alternative operators, and data from CRM specialist Optimove shows players doing so at a startling rate: one in four players churn within 14 days of their first deposit, with one in three churning within 28 days. In addition, 70% of the average operator's player base is inactive, representing a customer base frustrated with repetitive payout regulations and requirements.

The issue is one of satisfaction and convenience. Fortunately, it is one that can be resolved in three easy steps. Firstly, operators need to optimise the mobile experience for customers. We are seeing a new generation of exclusively mobile customers, so some operators, especially smaller ones, may need to ensure that their systems are modern and performing to a high level.

Secondly, Jumio's research shows that usability is a key issue for customers. Slow loading times and awkward navigation of the registration process are avoidable problems. The gaming industry must maintain its reputation as a pioneer of new technologies, delivering the latest innovations to boost customer experience.

Finally, easier registration and deposit processes, alongside quicker pay-out systems, are critical for operators hoping to reduce abandonment rates. Operators can't afford to attract customers only to lose them through disrupted momentum in the sign-up stage.

Catherine Hickey, VP Sales EMEA, has been working in gaming for over seven years across an array of organisations. She currently plays a leading role in helping gaming companies leverage the power of Jumio's latest industry-aiding technology.

OUT NOW: 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

