



WEEK 13

FRIDAY 25 MAR 2016

THIS WEEK

- DFS officially halted in New York
- Amaya CEO charged with insider trading
- Bookies' Cheltenham losses in numbers
- Column: Murad Vassib, UK Sector Lead, Talend

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TOP STORY

MORE OPERATORS REVEAL ONLINE WOES

PoC effect on show again as 888 announces profits drop; William Hill issues warning



888 chairman Brian Mattingley blamed PoC for a fall in profits

Major operators 888 and William Hill have both revealed their online struggles this week. 888 Holdings saw its profit before tax fall 52% to \$32.5m for the full year 2015, which chairman Brian Mattingley blamed on point-of-consumption tax in the UK, EU VAT charges and currency movement headwinds.

Adjusted profit before tax was down 18% to \$55.5m, with adjusted EBITDA falling 20% to \$80.6m. Revenue did however increase 2% to \$462.1m.

Last year was an eventful one for 888, with a takeover attempt from William Hill falling through and the firm missing out on its own acquisition of BwinParty. Meanwhile, Mattingley stepped down as CEO, with Itai Frieberger, then COO, stepping up to lead operations on a day-to-day basis alongside CFO Aviad Kobrine before being confirmed as permanent CEO earlier this month.

In a similar vein, operator William Hill has issued an online profit warning after a weaker than expected online performance since the turn of the year. The firm expects online profit to be reduced by £20m-£25m in 2016, should current trends continue.

Hills currently expects group operating profit for 2016 of between £260m-£280m, **CONTINUED ON NEXT PAGE** ▶



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subject to normalised gross win margins throughout the rest of the year. Group operating profit for the full year 2015 was £291.4m, which included £126.5m in online operating profit.

A trading update for the period from the start of the year to 20 March 2016 blamed an acceleration in the number of time-outs and automatic self-exclusions over recent weeks, which has impacted online and in particular gaming.

Gross win margins for online stand at 6.2%, which is 1.9 percentage points below expectations, affected by European football results and the "worst Cheltenham results in recent history".

In other news, the company has confirmed that it is in "advanced discussions with a partner" which would see it invest in supplier OpenBet. The partner isn't named, although rumours surfaced last month that Hills were backing an acquisition bid for OpenBet by provider NYX Gaming Group. The Telegraph newspaper reported that OpenBet could be sold for between £250m and £300m.

KEY POINTS

- 888 profit before tax falls 52% for 2015
- William Hill expects online profit reduction of £20m-25m for 2016
- Hills also confirms interest in OpenBet investment

LEGAL

BAAZOV CHARGED WITH INSIDER TRADING

Amaya CEO in hot water over PokerStars purchase

Amaya CEO David Baazov is facing five charges related to insider trading in the lead-up to the company's acquisition of PokerStars and Full Tilt in 2014, Quebec financial security regulator the Autorité des marchés financiers (AMF) has confirmed.

The charges include "aiding with trades while in possession of privileged information, influencing or attempting to influence the market price of the securities of Amaya inc., and communicating privileged information".

An investigation into the deal began before the end of 2014, when Amaya's Montreal HQ was visited by the AMF in

December of that year. The AMF was also given search warrants to investigate Canaccord Genuity, an investment bank that was involved in the Oldford Group (previous Stars/Full Tilt owners) purchase, and insurance firm Manulife Financial, reportedly a 6% stakeholder in Amaya.

A total of 23 charges have been filed against Baazov and five other parties.

Baazov, however, has come out fighting, stating: "These allegations are false and I intend to vigorously contest these accusations. While I am deeply disappointed with the AMF's decision, I am highly confident I will be found innocent of all charges."

DAILY FANTASY SPORTS

DFS FIRMS HALT NEW YORK OPERATIONS

Operators won't return until July at the earliest

FanDuel and DraftKings will not operate real-money services in New York until at least July, following a settlement agreement between the daily fantasy sports (DFS) operators and the state's attorney general Eric Schneiderman.

Should DFS not be made law by the state on or before 30 June, the ban will remain in place, but should it be legalised by then, companies could resume operating on 1 July. FanDuel had already pulled out of the state, but DraftKings had not.

unacceptable diminution of his duties and responsibilities since the commencement of his new role.”

customers will tolerate. Paddy Power and Coral performed particularly well.

MOVERS AND SHAKERS

**MCCUE TO DEPART
PADDY POWER BETFAIR**

Executive could receive big payout
Former Paddy Power CEO Andy McCue could be about to cash in on an agreement that would see him paid more than double his annual salary after it was announced he will leave his position as COO of the combined Paddy Power Betfair in April, two months after the companies merged.

Paddy Power sent a circular to shareholders in November informing them that McCue would be entitled to a severance payment of two-and-a-half years remuneration and treated as a “good leaver” if his employment was “ended without cause, or if, after 12 months in his new role, he has reasonable grounds to believe that there has been an

SPORTS BETTING

BOOKIES STRUGGLE AT CHELTENHAM

Operator losses worse than last year
Figures released this week have offered an indication of just how badly bookmakers did at the recent Cheltenham Festival. According to a bettingexpert.com report, bookies finished the Festival down £3.21 per customer, compared to losses of £1.26 per customer last year.

Additionally, research by Capacitas, specialists in preventing websites from crashing, has suggested that a number of operators struggled to cope with the high volumes of web traffic during the build-up to the Gold Cup.

Of those researched, William Hill had the slowest page-loading time at 2.9 seconds, well beyond the two second threshold

US CASINOS

CAESARS DEAL REVEALS “DANGERS”

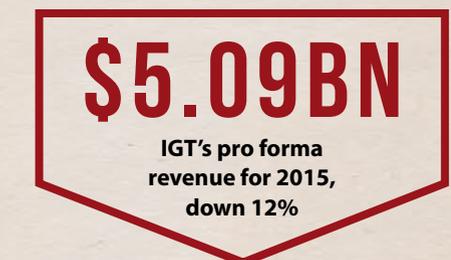
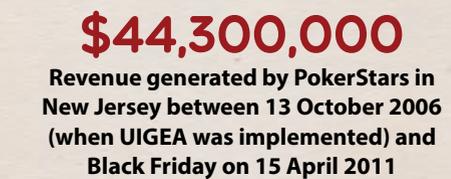
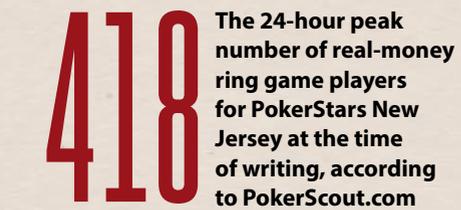
Reaction to investigator’s findings
A casino industry expert says Caesars’ current financial situation will make a “great case study of the dangers of over-leverage”.

Caesars has been burdened by debt since its 2008 leveraged buyout by Apollo Global Management and TPG, and last week examiner Richard J. Davis said the casino operator and its private equity owners harmed Caesars Entertainment Operating Co (CEOC) and its creditors by moving CEOC assets away from the subsidiary before its bankruptcy filing last year, adding that it could be liable for damages of up to \$5.1bn.

“We have learned to expect the unexpected, and there is plenty more to come,” said Oliver Lovat of Cass Business School. “When the dust eventually settles it will make a great case study of the dangers of over-leverage for all students of corporate finance.”

THIS WEEK IN NUMBERS

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



GUEST COLUMNIST

“HOW BOOKMAKERS CAN KEEP CUSTOMERS IN THE GAME”


By Murad Vassib,
Talend UK
Sector Lead
– Gaming &
Life Sciences

A new survey by Talend gauging the views of regular users of betting services in the UK indicates that betting companies are missing out on a prime opportunity to drive customer loyalty. That would be a serious issue in any business environment, but with competition proliferating on the high street and online, reducing customer churn is an especially urgent concern for bookmakers and gaming companies.

So how can they go about delivering enhanced customer engagement and increasing customer loyalty? At Talend, we believe the ability to personalise service offerings is potentially a key differentiator for any betting services provider. And the survey we have carried out supports this view, with more than two-thirds of respondents (67%) stating they would stay loyal to the brand if offered more personalised service options, such as tailored odds or offers, exclusive offers in real time, or targeted push notifications to their smartphone.

But are bookmakers getting the message? The results of our survey, which reveal that 72% of the sample say that their preferred bookmaker does not offer them a personalised

service, suggest that they are not.

Betting services providers are surely missing out on an opportunity here. If they want to retain existing business and drive competitive edge in the future, they need to deliver the tailored experience customers are increasingly looking for. It's a point highlighted by the 20% of our sample who, when asked what would make them loyal to a particular bookmaker, gave 'personalised customer experience' top ranking, second only to the 39% of respondents who cited 'competitive odds' as the deciding factor.

In an environment characterised by increasingly capricious customers, these figures also highlight the potential benefits all gaming companies could achieve by making better use of their data through the latest analytics tools to drive individualised campaigns or targeted promotional offers.

Today, most gaming operators are collecting vast volumes of high-value data, but so far very few are making optimum use of it, when the potential to do so is huge. There is a great opportunity for bookmakers to dig deep into the data they have and use it to segment customers and then target them with promotions, incentives and personalised betting offers.

It's important to remember though that in order to do this effectively, having access to data is not sufficient in itself. Operators understand this, of course, but for many, actually analysing data is both challenging and expensive, especially given the increasing volumes and complexity of information coming into the business. If gaming operators and bookmakers want to embrace big data to improve customer engagement and drive up loyalty,

they need a scalable value-added integration platform for processing and transforming data into a format for analysis and smart application. It's a significant undertaking but the potential benefits will be significant.

After all, if they have the means to pull all this data together and analyse it rapidly, these businesses can begin to create hyper-tailored offers that steer high-value customers in the right direction at just the right moment in their gaming activities – for example in near real time to their mobile platforms. This ability to integrate all data sets can also help businesses tackle the high churn rates that are typical across the industry – particularly in online and social formats. Once an operator has a holistic view of their customers through this mix, they can determine their most important customers and target them with offers to ensure they stay.

After all, while accessing the data itself is key to achieving business insight, it is the ability to run analytics on that data that actually gives gaming companies the opportunity to find out much more about both prospects and customers, and to use this knowledge to personalise their service and to reduce customer churn.

Murad Vassib is UK Sector Lead – Gaming & Life Sciences for Talend, where he has been employed since March 2013. Murad has extensive expertise in pharmaceuticals and life science, especially in digital and financial transformations, KPI Reporting, MDM and IDMP as applied to those sectors. He also has expertise in providing agile real-time data platforms for customer acquisition, retention and monetisation initiatives within the gaming sector.

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

