



WEEK 15

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THIS WEEK

- NYX CEO Matt Davey exclusive interview
- Paddy Power Betfair looks set to axe 650 staff
- TGP chief defends withheld Cheltenham payouts
- Column: Don Bush, VP Marketing, Kount

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TOP STORY

ANALYSTS REACT TO THE NYX/OPENBET DEAL

Experts weigh in on the £270m purchase that's been backed by William Hill and Sky Bet



Warwick Bartlett, CEO, Global Betting and Gaming Consultants:

"This will enable NYX to become a serious software competitor in the UK. The big question is whether NYX will lose some of its other customers because of fear of contracting with a company part-owned by a competitor. The second question is whether a company serving two important shareholders will be left behind on innovation from competitors such as Microgaming and Playtech, who are serving and taking input from more customers. It seems the consolidation that is taking place with operators is now being induced on providers."

Ali Naqvi, Equity Analyst, Peel Hunt:

"All they [William Hill and Sky Bet] seem to be doing is getting the technology for the back-end sportsbook and just securing it. If another competitor, say Ladbrokes for example, had bought it, everyone else who is on that platform would start thinking they need to migrate away from it, because you don't want a direct competitor to be holding that technology. Now that it's got an independent third party, and that's what NYX were quite keen to stress,

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it seems to me that it's more palatable. Yes, they have a deal to look at the technology, but is that the silver bullet? Probably not."

Steve Donoughue, gambling consultant (gamblingconsultant.co.uk):

"OpenBet were one of the builders of the online sportsbook industry, claiming practically all the main bookmakers as their clients and have happily continued to do so with a reputation as being one of the 'good guys'.

"My concern about this purchase is that this may not be the case in the future. NYX know little about sportsbook, hence their interest. William Hill do, but do not know much on the technology side of it, as they still struggle to roll out Project Trafalgar and are basically just Playtech retreats."

KEY POINTS

- NYX has successfully negotiated a deal to acquire OpenBet for £270m
- Warwick Bartlett of GBGC ponders whether NYX could be harmed by

partnering with competitors of UK sportsbooks

- Peel Hunt analyst Ali Naqvi thinks William Hill and Sky Bet will secure the OpenBet technology as part of the deal, while Steve Donoughue questions whether NYX and William Hill can cope with new territory

MOVERS AND SHAKERS

PADDY POWER BETFAIR SET TO AXE ALMOST 10% OF STAFF

Reports indicate the number of employees about to lose their jobs could reach 650

Paddy Power Betfair is set to release 650 employees, according to the Irish Times.

That would mean that 9% of the total workforce of 7,200 would be cut from the books. Staff have reportedly been told all along that this would occur in cases where two people were left with the same job following the completion of the merger in February.

It is likely that 350 staff from the UK would leave the company and another 300 would sever ties with the Irish operations. A total of 2,875 staff are

based in the UK, meaning that 12% of UK employees would be out of work.

A circular was sent out to Betfair shareholders in November which said that staff cuts would account for half of the £50m savings as a result of the merger.

Paddy Power Betfair could not be reached for comment when contacted by *Gambling Insider*.

US CASINOS

CHRIS CHRISTIE THREATENS TO WITHDRAW SUPPORT FOR NORTH JERSEY CASINOS

Governor will not back plans for gaming expansion if Atlantic City isn't saved

New Jersey Governor Chris Christie won't support casinos in north Jersey unless there is a state takeover of Atlantic City finances.

A referendum on the creation of two new casinos in north Jersey is scheduled for November.

Atlantic City Mayor Don Guardian says the city will officially run out of money by 9 April unless an aid package is agreed.

Christie says he will sign the Pilot aid package providing it includes legislation allowing the state to assume control of key functions of local government.

Christie has previously come out in favour of north Jersey casinos and even helped broker a deal for the referendum, but will withdraw his support if Guardian and Assembly Speaker Vincent Prieto do not support the state takeover.

"I will campaign across the state against the referendum if this is what happens – and I'll make sure it's defeated," Christie said at a news conference.

SPORTS BETTING

TGP CHIEF DEFENDS WITHHELD CHELTENHAM PAYOUTS

Players became frustrated about not being paid by TGP's brands

The chief executive of the firm at the centre of a betting payouts furore says his operators were following "regulator-approved procedures" in the face of "activity deemed suspicious".

Punters have taken to social media in recent days to complain about Cheltenham Festival winnings being withheld and betting accounts closed at bookmakers 138.com, 12Bet, Fun88.co.uk and TLCBet, all of which are owned by TGP Holdings Ltd.

Speaking to the Isle of Man Newspapers group, TGP chief executive Garth Kimber said: "All payments were processed for accounts not deemed to be under investigation, and additionally all payments have now been processed for those accounts reviewed and found not to have been in breach of our terms and conditions.

"For those accounts where the terms and conditions have been breached, account holders have been informed, the company has processed a refund of deposits, voided all bets (winning and losing) and closed the accounts."

Some customers have reportedly received emails stating that their accounts had breached terms and conditions regarding "bonus abuse and fraudulent activity".

MERGERS & ACQUISITIONS

CATENA MEDIA ACQUIRES MAJOR AFFILIATE SITE ASKGAMBLERS

One of the industry's biggest affiliates purchased for €15m

Lead generation specialist Catena Media has acquired affiliate AskGamblers.com for €15m.

The deal is the largest in Catena's history and its third acquisition this year. The transaction includes all affiliate accounts, domains, mobile apps and social media accounts associated with the brand.

AskGamblers provides player reviews and online casino rankings, as well as the opportunity to resolve online casino-related disputes, which has resulted in more than €5m being repaid to players.

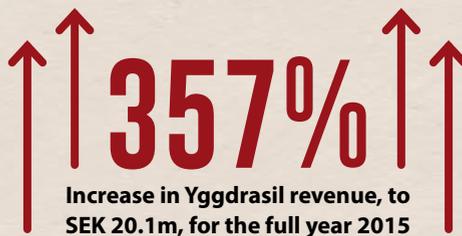
The €15m purchase price will be paid in three tranches: €3m will be paid on completion of the transaction, €8.25m will be paid when all assets have been transferred to Catena Media and €3.75m will be paid six months after the acquisition has completed.

THIS WEEK IN NUMBERS

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



Owed by Atlantic City as a tax refund to Borgata



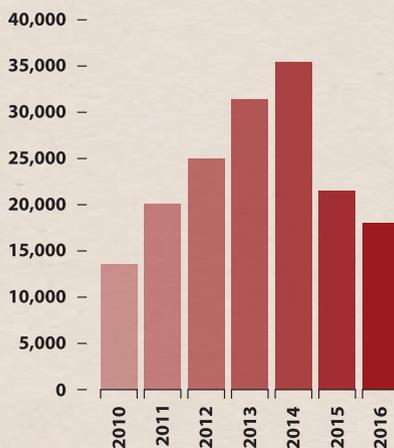
Increase in Yggdrasil revenue, to SEK 20.1m, for the full year 2015



Estimated March Madness brackets completed by Americans this year

3,100

Approximate number of attendees to Sportradar's Fraud Protection Service Integrity Workshops in 2015



Macau gross gaming revenue (bn patacas) for the month of March 2010-2016

Source: Macau Gaming Inspection and Coordination Bureau

\$900M

Amount the newly-opened T-Mobile Arena in Las Vegas will generate for the local economy, according to MGM Resorts International

€1.91BN

Intralot revenue for 2015, a 3.3% year-on-year increase



Percentage of the total gaming workforce in Iowa who are female, according to the Iowa Gaming Association

MATT DAVEY EXCLUSIVE**'OPENBET ACQUISITION HAS OPERATOR ENDORSEMENT'**

NYX Gaming Group Chief Executive Matt Davey provided *Gambling Insider* with insight into his firm's £270m acquisition of fellow supplier OpenBet

What's your reaction to your OpenBet acquisition?

We couldn't be happier. The industry recognises that this is a natural fit between two great businesses with complementary product sets, a complementary approach to business as open architecture driven companies, and a great cultural fit between the management teams. This is definitely the next phase of growth in the business, so we couldn't be more excited. There's lots of hard work in front of us but we have all the pieces together now.

Why do you see the two businesses as being so complementary?

From NYX's perspective, we've built out a diversified gaming supply business over the last decade or so but we're focused on the bingo, casino and lottery markets in particular. We've got market-leading products in those segments, but what we've never tried to do, simply because we appreciate how difficult it is, is get into the sports-betting business. OpenBet in the same fashion has built a really strong position in sports betting, and to be fair they've also got casino and

a platform business, but you couldn't get a better fit than the complementary nature of their product set with our product set.

The purchase price will be financed partly through £125m of senior secured credit facilities. How much of a challenge was it to gain such a significant amount?

That was actually one of the easier negotiations because it was an existing lender. They already knew the business and were already extremely comfortable with the financial performance. We looked at about half a dozen offers, and when they tabled theirs we thought it was very attractive and certainly met our needs of the kind of terms we were looking for.

What are your initial plans for OpenBet? Can we expect any immediate changes to the company?

No – it's definitely business as usual. The really great thing about this transaction is that we're not buying a broken business – we're buying a fantastically well-performing business with a great management team and a great set of customers. The real focus is how we make the most of this – how do we get product synergies and the benefits of the scale that the combined business can bring? From day one you'll see business as usual – Jeremy [Thompson-Hill, OpenBet CEO] is running the company, he's done a great job there and we'll be looking at getting best-of-breed processes and products right across the group.

How do you intend to grow and develop OpenBet in the longer-term?

The private equity owners are obviously good owners but they take a different view when it comes to long-term product development. In a stable, public company we can take a long-term view as to where we see the products moving. We intend to invest more in the back-office platform, marketing tools etc., and we'll also look to integrate the product sets from our more developed casino product set and their heavily developed sports-betting

product set, so we can offer a much more powerful portfolio of products to our customers. You'll see that over the next two to three years.

William Hill and SkyBet have contributed to the purchase price. What can you tell us about their involvement with OpenBet moving forward?

It's one of the really nice things about this deal – the endorsement of people who know that business best. Between them, William Hill and SkyBet are effectively writing a £100m cheque to say they think the business is fantastic and that NYX is the right owner of that business.

In the same breath, it's also important to note that we maintain our independence. It's one of the things that was critical for us – that we're an independent B2B supplier. We don't operate any online gaming anywhere and we aren't controlled by any particular operator. No board seat, no management control, no access to confidential client information – all of that has been handled through the structure of this deal. We were very focused on making certain all the existing customers are comfortable with the structure of what we've put together.

How confident are you that OpenBet's customers will indeed be comfortable with William Hill's involvement in this deal?

It was one of the most important things for us. When you look at the range of potential acquirers, NYX was definitely the most natural fit when it comes to the existing customers, the management and the strategic shareholders around the business. That said, we also wanted to make certain we were proactive about it, so we reached out to the customers. The endorsement has been great, we've been very encouraged by that. You see that in our press release with the quote from Paddy Power Betfair, who did not invest but are very happy with us being the owner of OpenBet. We've spent 10 years building an independent supply business and we intend to maintain the integrity behind that approach.

GUEST COLUMNIST

"LOYALTY FRAUD – A NEW THREAT FOR GAMING OPERATORS?"


By Don Bush,
Vice President
of Marketing
at Kount

Loyalty schemes are a staple of the gaming industry, as both land-based and online operators are aware that it is perhaps the most effective tool in customer retention marketing. There are plenty of benefits to a good loyalty scheme run properly, both for the punter and the operator, which is why they are so popular. But that doesn't mean they don't come with headaches, the main one of which is perhaps obvious. When you're offering something with real financial value in exchange for an often labour-intensive or financial transaction dependent process, then there are going to be those who try to manoeuvre their way around the system. This could be in the form of either subtly looking for loopholes or cracks in the loyalty measuring process i.e. giving the appearance of achieving a level that deserves reward without actually meeting the required levels, or outright lying to steal points and tokens, often from other customers who do merit your recognition. This is loyalty fraud, and it is a growing threat across all sectors where loyalty schemes are used. Unsurprisingly the gaming industry is no different.

Loyalty fraud is, quite simply, where fraudsters gain access to loyalty points held by consumers and then spend them. Because these points have a transferable value and can be used for all manner of purchases, they have a significant value to fraudsters.

Take Nectar, for example. Nectar is the UK's largest loyalty scheme with 19 million members holding an average of £22.33 worth of points at any one time, giving the points in the system a total value of £424m (according to a report by The Telegraph). That's a big pot of cash to target if you're a criminal with the skills to break into the Nectar vault and take ownership of them.

Nectar is home to a great number of household names, including those in the gaming sector, such as Betfair. And, indeed, many online gaming operators have loyalty schemes of their own. It makes sense. Gaming is a sector with a high level of user churn. Operators spend a lot of time and money to get players to register and, once they have them, they will want them to stay and loyalty programmes are key to this.

Reducing churn isn't the only benefit to operators though. When customers register with loyalty schemes, they are sharing valuable metrics about their online behaviour and this can be used by operators to target them with bespoke offers. An operator who really understands their clients, both collectively and individually, has a much better chance of maintaining a good, long relationship with them.

But is this information safe? Because again, if it has value, the fraudsters are going to try to gain access to it.

In late 2015, it was revealed that the UK pub chain JD Wetherspoon had suffered a data breach of its loyalty programme,

compromising the details of around 65,000 members of its loyalty scheme. The pub giant responded by saying it will no longer hold customer information, but it demonstrates how valuable this information is to fraudsters and the scale of their ambition in getting hold of it.

But it's points themselves that are at most risk. In February 2015, Nectar reported that points had been stolen from members and were being spent on eBay and in Argos. This was met with a welcome pledge from Nectar to increase security but, again, it is a disturbing indication of this growing threat.

Dealing with this threat means treating loyalty schemes' tokens and information, either self-run or cross-industry, such as Nectar, with the same diligence as you would treat your core customer information.

Points transactions, where gamers are able to use points generated through loyalty, should also be subject to care and diligence. Fraudulent points transactions tend to have similar characteristics to card-not-present (CNP) fraud. So if you can spot CNP fraud, you can spot points fraud.

It's a new dangerous trend. Yet with the right approach and appropriate care, it need not be too damaging.

Don Bush joined Kount as the Director of Marketing in October 2010 and became Vice President of Marketing in December 2012. He has worked in several management roles within the technology segment for over 20 years with both hardware and software manufacturers and as a partner in two top technology marketing agencies. He has led products launches and marketing programmes for dozens of companies around the world.

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

