



# WEEK 17

## FRIDAY 22 APR 2016

### THIS WEEK

- NetEnt posts strong Q1 2016 financial results
- Delaware breaks online gaming revenue record
- Online gambling bill introduced in Michigan
- Column: Adam Conway, Head of Trading at SIS

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#### TOP STORY

## I-GAMING'S FUTURE REACHES WESTMINSTER

### FOBTs, M&A and CSR were hot topics at the All Party Betting & Gaming Group seminar



A panel gathered to discuss key i-gaming issues at a seminar titled *The Future of Online Gambling* at Portcullis House in Westminster, London this week, hosted by the All Party Betting & Gaming Group (APBGG).

Richard Flint, CEO of Sky Betting & Gaming, Anthony Werkman, Marketing and Operations Director at Betway, and Clive Hawkswood, CEO of the Remote Gambling Association, gave speeches on the state of the online industry before addressing a number of topics in a Q&A session hosted by Philip Davies, Chairman of the APBGG.

One of the more challenging areas panellists were asked to address was regulation with regards to maximum stakes online and whether calls could be made to reduce maximum stakes on certain games, as has been the case with fixed-odds betting terminals (FOBTs) in the land-based sector.

Flint believes there is not enough evidence to support the anti-FOBT argument, but also warned the industry.

"It is a risk [heavier regulation], but policy making should be data-driven. The data to restrict FOBTs in the way it's being talked about doesn't seem to be there. But it is a risk, because in the industry we're not necessarily doing a great job of presenting a positive case and presenting facts," Flint stressed to the audience. **CONTINUED ON NEXT PAGE ►**



# MICHAEL JACKSON KING of POP



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#### FROM FRONT PAGE ►

M&A was also a popular and opinion-dividing subject. Werkman stated that he believed that while we may see a slowdown of activity in this area, the M&A that has occurred could be bad news for smaller operators.

"There's definitely some M&A still to come," he said. "It's especially going to be tough for the smaller companies. I think it will also keep people out of the industry, which may be a good thing in terms of keeping it responsible."

Hawkwood defended the industry in light of the UK Gambling Commission ruling that Paddy Power had failed to keep crime out of gambling and protect vulnerable people, saying: "Things go wrong sometimes. If you look at those cases, individual errors were made. They held their hands up. You've got say, 'Yes, that is how we control you', and move on."

#### KEY POINTS

- Sky Bet CEO Richard Flint sat on a panel, held in Westminster, to discuss the future of online gambling

- Flint called for policies on maximum stakes to be data-driven
- M&A and CSR were among the other issues discussed

#### FINANCIALS

##### NETENT IN GOOD SHAPE AFTER Q1 Results show operating profit and revenue both rising sharply

NetEnt reported a series of year-on-year increases in its first quarter 2016 financial results.

The provider's operating profit went up 57% to SEK 128.1m (£10.99m), while revenue ascended 33% to SEK 345.4m (£29.6m). Profit after tax was SEK 121.7m (£10.4m), an upturn of 64%.

NetEnt's online casino content was launched by PokerStars in New Jersey in March, a state where NetEnt has partnerships in place with all i-gaming licensees after being granted a transactional waiver by the New Jersey Division of Gaming Enforcement to operate in the state, where it launched in September.

Given that NetEnt was not operating in New Jersey in the first quarter of last

year, a market which itself generated online casino win of \$38.2m for Q1 2016, the comparison is slightly disjointed, but the results are a sign of progress as NetEnt increases its footprint among the industry's highest-profile providers.

#### US ONLINE

##### DELAWARE BREAKS ONLINE MONTHLY GAMING REVENUE RECORD IN MARCH

The previous record had stood for almost two years

The Delaware Lottery has announced that March was a record-breaking month for i-gaming revenues in the state.

Online operations collected \$260,539 (€230,621) in March, almost \$20,000 more than the previous high of \$240,762 set in April 2014. Revenue for March 2016 was 78% higher than the same month the previous year.

February revenues fell marginally short of \$230,000, another strong indicator that 2016 is set to be a positive, potentially breakthrough year for the industry.

The only disappointing figure for operators was a 30% month-to-month decline in online casino revenue, falling from \$97,899 in February to \$68,420 in March.

However, video lottery revenue did exceed a previous record monthly high at \$154,794. I-poker also performed surprisingly well, with revenues reaching \$37,324.

**LEGAL**

**MICHIGAN IS NEXT STATE TO CONSIDER ONLINE GAMBLING**

**New Bill proposes regulating both online poker and casino**

The possibility of Michigan becoming the fourth US state to regulate online gambling has taken a step forward, following the introduction of SB 889 to the Michigan State Senate by Senator Mike Kowall.

The bill has been referred to the Committee on Regulatory Reform, of which Kowall is a member. The senator is also the vice chair of the Commerce and Oversight Committees

and a member of the Government Operations and Joint Committee on Administrative Rules.

Both online poker and casino games would be legalised and the legal minimum age to play would be 21, while the tax rate would be 10% and the licensing fee would be \$5m.

With a resident population of 9.9 million as of July 2014, according to the US Census Bureau, Michigan would become the heaviest-populated state to offer legal online gambling should the bill be passed.

**RESPONSIBLE GAMING**

**RESPONSIBLE GAMBLING PLAN IS AN ADMITTANCE OF RGT FAILURE, SAYS ANTI-FOBT CAMPAIGNER**

**Latest policy is an attempt to clear up previous mess according to Adrian Parkinson**

A consultant for the Campaign for Fairer Gambling (CFG) has accused the Responsible Gambling Strategy Board (RGSB) of admitting to failure in the research carried out by the Responsible

Gambling Trust (RGT) on the effects of fixed-odds betting terminals (FOBTs), in light of the publication of a new responsible gambling strategy.

The National Responsible Gambling Strategy was published by the RGSB last week, outlining 12 priority actions. B2 gaming machines, another term to describe FOBTs, have been left out of the strategy, as the RGSB said it will address the issue separately.

Adrian Parkinson of CFG, which actively campaigns for heavier regulation of FOBTs, told *Gambling Insider*: "The RGSB failed to provide adequate oversight of the Responsible Gambling Trust when research into FOBTs was commissioned in 2013 and the priority actions are, to a large extent, trying to close the stable door after the FOBT research has bolted. The RGSB appears to admit the failure of that research with their latest proposal."

UKGC and the RGT were both presented with Parkinson's comments, but did not give a response

**THIS WEEK IN NUMBERS**

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

5

Number of new gambling commissioners appointed by the UK Culture Secretary this week



New Jersey i-gaming win for March, a record monthly high

\$85.2M

Plus500 revenue for Q1 2016, a 4% year-on-year increase and 26% increase on Q4 2015



Age of a Massachusetts church being moved to make room for the new MGM Springfield casino

180%

Expected increase in football bets in June (year-on-year) due to Euro 2016  
*Source: Optimize*



Finance Red Rock Resorts Inc. is planning to raise through its IPO

11

Suspicious betting patterns received by ESSA in Q1. Nine related to tennis, one to football and one to basketball

110X

Proposed raise in capital deposit newly-registered Macau VIP promoters would have to make with the authorities (to US\$1.3m)

115%

Nektan Q3 (to 31 March 2016) net gaming revenue increase

## GUEST COLUMNIST

**“SUPPLIERS MUST BE ADAPTABLE FOR ALL SHAPES AND SIZES”**


**By Adam Conway**  
Head of Trading, SIS

There was a time in the betting industry when the most successful suppliers were those who delivered products of the highest quality, to the biggest customers.

The need for quality hasn't diminished in any way whatsoever, nor will it ever. However, there is a new requirement from suppliers that is increasingly becoming the key focus of the product offering – adaptability.

SIS, as a leading supplier of data and pictures to the bookmaking industry for almost 30 years, knows this only too well. Delivering top-quality, low-latency data is important, but we're constantly looking at how we can improve. Our customers demand it and, to remain as one of the leaders in our field, we know constant improvement is imperative.

As the market becomes ever more competitive, suppliers look for ways to stand out from the crowd. Innovative products and marketing communications enable exposure and cut-through, yet operators need much more.

Now suppliers must look closely at their target customers and find products that fill the gaps in their offering, and enable those bookmakers

to improve their offer and increase the bottom line.

This approach must benefit customers of all shapes and sizes, from sports-betting giants such as Sky Bet and William Hill to the independent bookmakers, both in retail and online.

Take SIS Trading Services, for example. Offering a specialist trading team as an optional addition to other SIS products can give those bookmakers without a large in-house trading resource a chance to achieve higher margins and branch into alternative markets.

It also provides the opportunity to access specialisms (such as French or Middle Eastern racing) in certain areas, enabling more betting opportunities and revenue for bookmakers. As a bolt-on to existing products, it's a service that can be more cost effective for both suppliers and operators.

The move towards diversification is another conscious response to what bookmakers have asked for – they want to be able to pick and choose what they want from their suppliers. Housing a variety of complementary products under one banner can be beneficial to all involved. We've already seen it succeed in other industries such as telecoms, where companies are offering broadband, phone, TV and mobile.

Long gone are the days when Sky simply offered satellite TV, BT provided home telephone and TalkTalk concentrated on mobile. Now all have moved, first to triple play offerings (TV, broadband and home phone), then to quad play (the addition of mobile). Sky and BT are racing to give customers more choice, extending the value of each individual.

Suppliers are doing the same in

betting and gaming – offering that “one stop shop” for bookmakers. Maximising the value they can give an operator maximises the margin that they can look to gain.

Identifying where many bookmakers don't have the capability to offer their own derivative products provides an opportunity for suppliers to add more to their product package.

For bookmakers of a certain size, outsourcing their trading is a much more cost-effective option than trying to create their own product – particularly when this can be built into a supplier's own version of triple play and quad play, including data, pictures, streaming or gaming.

And the personalisation doesn't stop there. Suppliers need not only understand their customers, but also understand their customer's customer too. Providing a tailored experience can be as specific as tailoring prices to specific regions – perhaps a Wigan-based bookmaker wants more rugby league prices for example, which gives suppliers another calling card that can help them stand out from their competitors.

It all means we're now seeing personalisation at every stage of the supply chain. Bookmakers want to personalise their products for their customers, and suppliers are becoming ever more adaptable when offering the services that can help operators deliver it.

*Adam Conway, Head of Trading for SIS, leads a dedicated team of live traders delivering comprehensive pricing for sports including UK, Irish and international horse racing, as well as BAGS greyhound racing. Conway has more than 15 years' experience in the betting and gaming industry*

**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**

