



WEEK 20

FRIDAY 13 MAY 2016

THIS WEEK

- Exchange wagering launched in the USA
- Full Tilt platform to be retired next week
- Online results boost Caesar's Q1 report
- Guest column: David Poole, myPINpad

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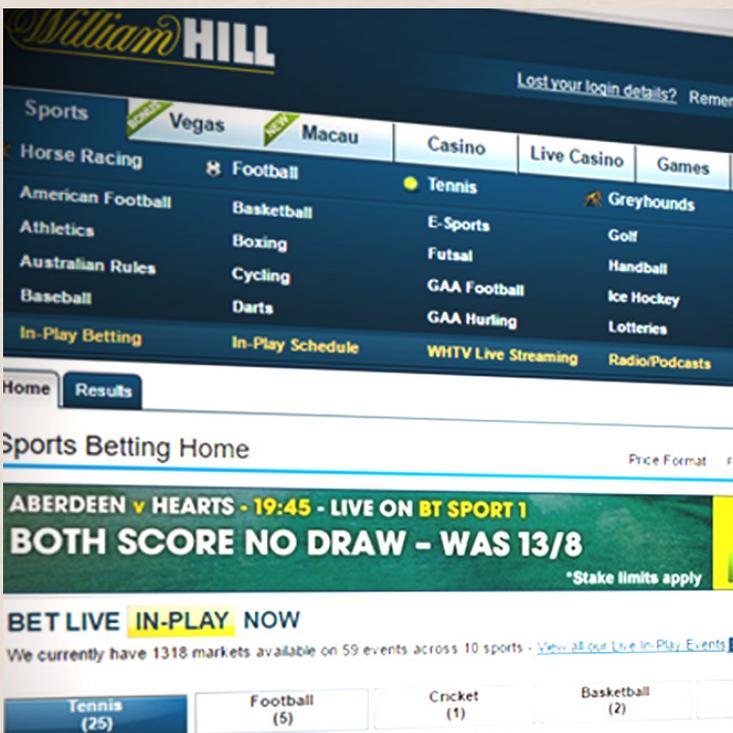


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Multi-Channel Marketing & Game Optimization

TOP STORY

HILLS ONLINE FINANCIALS TAKE A HIT

The effect of regulation on bottom line made clear in latest trading update



William Hill's online net revenue dropped 11% for the 17 weeks ending 26 April, the operator confirmed in a trading update.

The update, which was in comparison with the 17 week period to 28 April last year, included percentage increases and decreases for the majority as opposed to actual figures, though Hills did release a predicted number for full-year operating profit, which it said was in line with guidance of £260-£280m subject to normalised gross winnings.

Net revenue, amounts wagered and sports-betting gross win margin were the only fields where percentages were given, with the online, retail, Australia and US divisions all being covered separately.

Within online net revenue, sportsbook was down 17%.

Retail's net revenue was up 2%, though retail was the only division where a drop in amounts wagered were reported, falling 3%. Retail sports-betting gross win margin increased by 0.6 percentage points to 18.8%, which was said to be due to beneficial Premier League football results, but impacted by the Cheltenham Festival.

William Hill Australia's net revenue fell 22%, though there were more positive results for Hills' US operations, which increased its net revenue by 46%. **CONTINUED ON NEXT PAGE ►**

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The successful US results were put down to a positive Super Bowl result in February.

Overall group net revenue went down 3%.

Hills CEO James Henderson said: "It has been a tough start to the year in online, which is being impacted by both regulatory change and a gross win margin below normalised levels for the period due to a disappointing Cheltenham Festival and unfavourable European football results."

The regulatory change that Henderson is referring to is likely to be the UK point-of-consumption tax (POCT) regime, which requires operators to pay a 15% tax on profits from remote gaming, implemented in December 2014.

Hills' online net revenue for the full year 2015 was £550.7m, up 4%, but would have been approximately £648m were it not for the POCT, which was also said to have played a part in an operating profit decline of 29% to £126.5m for the same period.

KEY POINTS

- William Hill's online net revenue was down by over 10% in its latest trading update
- The operator is in line to meet its full-year operating profit guidance
- CEO James Henderson said regulatory change is impacting online

US SPORTS BETTING

NEW JERSEY RACETRACK LAUNCHES EXCHANGE WAGERING THE USA

Monmouth Park exchange goes live on-site in partnership with Betfair US Exchange wagering, a fixed-odds variant of pari-mutuel betting, became available to play in the United States for the first time earlier this week after a New Jersey racetrack launched an on-site operation in conjunction with Betfair US.

Monmouth Park will offer the gaming variation on all of the races at its racetrack as well as 10 other racetracks around the country via simulcast. The intention is to increase the number of racetracks partners as interest grows.

One popular belief in the industry is that young people will find exchange

betting more appealing than traditional gambling, especially on horses. If the faster platform and increased decision-making abilities could attract the Millennial market it could have a significant impact on day-to-day sports betting in the States.

New Jersey regulated exchange wagering in 2011, but the state's racing commission did not issue its first licence until November 2015. California legalised exchange wagering in 2010, but has yet to award any licences despite Betfair US' persistent attempts.

POKER

DATE ANNOUNCED FOR POKERSTARS AND FULL TILT PLATFORM MERGER

The platforms will be brought together but the sites will still be separately accessible

PokerStars will merge platforms with Full Tilt on Tuesday 17 May, and the Full Tilt poker platform will be retired.

It was announced by parent company Amaya in February that the two sites would be merged into one platform. According to PokerScout, PokerStars

tops the online poker traffic rankings with a seven-day average of 12,500 cash-game players at the time of writing, while Full Tilt is in 14th position with 550 players.

While the Full Tilt platform will be retired, the site will continue to operate, with players being able to access both brands via one account.

Full Tilt players will have access to VIP benefits equal to benefits available via PokerStars.

Both operators came under the same umbrella when PokerStars bought Full Tilt in 2012 as part of a settlement agreement with the US Department of Justice, after both brands operated in the US after UIGEA was implemented in 2006.

in 2016, sending the bill to Governor John Hickenlooper to sign into law.

Last Friday, the Colorado Senate passed an amended version of Bill H 1404 by a majority of 26-7. The House then concurred with the amendments at the beginning of this week, voting in favour of the bill 45-19.

The bill is similar in content to DFS regulation bills in other states such as Virginia and Indiana, but does make specific reference to smaller fantasy sports operators, which will be classed separately to larger platforms such as DraftKings and FanDuel. Smaller operators need to be registered with the state, but do not need to go through the licensing process.

and mobile games business helped drive a 7% year-on-year increase in net revenues to \$1.17bn for continuing CEC operations for the three months ended 31 March.

Casino revenues descended 2% to \$530m but Caesars Interactive Entertainment (CIE), the online division, reported improved net revenues, totalling \$228m, an upturn of 29%.

CEC CEO Mark Frissora said that the operator achieved record adjusted EBITDA margins for the quarter, which went up by "over 200 basis points due to higher hospitality revenue growth".

Less favourable figures were reported for basic and diluted earnings per share, which were both negative \$2.12, and a net loss of \$308m.

CEC results are no longer consolidated with the results of Caesars Entertainment Operating Company (CEOC) and its subsidiaries after it filed for Chapter 11 bankruptcy in January last year, though some CEOC figures were reported separately, such as a net loss attributable to Caesars of \$85m.

DAILY FANTASY SPORTS

COLORADO DAILY FANTASY SPORTS BILL PASSED TO GOVERNOR

Is on the brink of being the fifth state to officially regulate DFS

Colorado has become the fifth state the pass a bill regulating fantasy sports

FINANCIALS

ONLINE RESULTS BOOST CAESARS' Q1 REPORT

CIE's net revenue increase a plus point, though casino revenues were down

Caesars Entertainment Corporation (CEC) said growth in its online division's social



Birds!



THE LEADER IN 3D SLOTS GAMING



THIS WEEK IN NUMBERS

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

 **25%**

Increase in Singapore tourism between 2010 and 2014 following the opening of two casinos

\$312.5M

Cost of Red Rock Resorts Inc's all cash purchase of Palm Casino Resort

 **25/1** 

Odds Leicester City F.C will win the Premier League again in 2017. The club are 33/1 to be relegated

\$5BN

Potential size of the Nevada sportsbook market in 2016. In 2015 it was \$4.2bn

500

Number of additional gaming machines allowed in new compact between the Pala Band of Mission Indians and the governor of California

 **US\$ 800M**

Size of James Packer's stake in Melco Crown Resorts that the tycoon sold this week

 **12** 

Number of regions represented at the PokerStars Americas Cup

 **5 YEARS**

Length of renovation project of the The Flamingo. The Las Vegas casino celebrates its 75th anniversary in 2021

US\$150

Minimum fine for being caught gambling online proposed in bill drafted by legislature in Russian region of Tatarstan



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GUEST COLUMNIST

CAN BIOMETRICS REVOLUTIONISE GAMING SECURITY?



By David Poole
 Business
 Development
 Director,
 myPINpad

What's top of the wish list for the mobile gaming industry? Getting churn under control. The industry is plagued with high churn rates and is constantly looking for ways to tackle this.

Of course, a proportion of this churn is customers who will only bet on big ticket events such as the Grand National and FA Cup Final, so these can be discounted. But what about the serious gamers; the ones who play regularly but then vanish just as soon as another operator bats their eyelashes and gives them a come hither look with better odds, offers and games?

What keeps customers playing and keeps them coming back? The simple answer is a great experience at every stage of the process, from registration through to deposit, through to playing through and, finally, to paying out.

All of these, bar the actually playing stage, can be subject to undue friction by the KYC and anti-money laundering regulations the industry has to comply with. And this is where the customer journey can and will suffer. And an unhappy customer is a customer who is likely to churn to another operator.

The industry is locked in an ongoing debate about how to improve these three critical stages, and the general agreement is that the authentication methods have to be made more simple and frictionless without compromising on security.

In the search for new technology to enable this, biometric security is increasingly being touted as the way forward.

Biometrics, using a unique physical characteristic as a means of identification, are nothing new. Fingerprint identification has been used since the 19th century, for example. Yet, increasingly, biometric technology is being used, most notably on mobile devices, to authenticate transactions and actions.

Anyone who owns an iPhone, for example, will be used to using their thumbprint to unlock their phone and authorise iTunes purchases. So it is a process that is growing in familiarity, trust and popularity.

The question, then, is: "Is this fit for purpose to enable authentication for registration, deposit and withdrawal with online gaming operators?" We would argue that the answer is no, not alone.

As experts in authentication and security, we know that no one security method is infallible. Single-factor authentication, even with biometrics, will never be enough to give the full level of security needed, especially in a security conscious industry such as online gaming.

Security works best when it is a mix of various authentication techniques. Looking at the iPhone again, if you switch it off, you need to enter your passcode (either a four or six-digit

number) when you switch it on again to unlock the phone for the first time. After that, you can use your thumbprint. It is the same with iTunes purchases; first time you make a purchase from the App Store after switching your phone back on, you need to enter your iTunes password.

This mix of something you have (the phone), something you are (your thumbprint) and something you know (passcode and password) helps keep the iPhone safe without compromising user experience.

So the benefits of adding an extra layer of security, which remains relatively unobtrusive, is clear.

Biometrics have the power to make the security critical aspects of the online gaming experience friction free. But with adding an extra layer of security with passcode or PIN, the security, and thus legal compliance, can be made far more robust.

David Poole is an executive with 20 years experience at the forefront of new technology and payment processes in the UK and USA. Prior to joining the myPINpad team in 2013 David held a managing director position at mPOS technology company, Miura, founded to reshape electronic payments. At Miura David oversaw the commercial success of the company during the three years he held this position

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