



WEEK 24

FRIDAY 10 JUN 2016

THIS WEEK

- CEO Carl Leaver on Gala Coral's H1 results
- Scientific Games wins Belgian lottery contract
- Mr Green sportsbook launches
- Guest column: Erik Logdberg, Kambi

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TOP STORY

MACHINE INDUSTRY SPEAKS OUT

Review: What were the key points from speeches at this week's Westminster seminar?



The All Party Betting and Gaming Group hosted the fourth seminar in its series on UK gambling at the Palace of Westminster this week. This was an opportunity for industry representatives to outline how they wish to see regulatory changes, at least in the case of amusement industry trade body BACTA and pub operator Mitchells & Butlers.

Here are some highlights from the speeches:

John White, Chief Executive, BACTA: "Over a third of adult gaming centres [AGCs] have closed in the past decade. Younger people, who will be tomorrow's customers, just don't see them as relevant.

"The issue of fixed-odds betting terminals [FOBTs] has to be sorted once and for all if we are going to move forward. Let me be very clear about BACTA's position, which often gets misrepresented. Yes, we have a direct commercial interest in levelling the playing field. We make no apologies for that whatsoever. AGC's, pubs, clubs and bingo halls have all seen a negative impact on their profitability, as customers have drifted to FOBTs."

Simon Dorsen, Senior Sales Director Europe, IGT: "By 2020, there will be more than six connected devices for every person, according to Cisco. Connecting mobiles to gaming machines will allow for two **CONTINUED ON NEXT PAGE** ▶

ONLINE



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FROM FRONT PAGE ►

enhancing factors. Firstly, we'll see an increase in player-to-game interactions using a mobile device. Secondly, we'll see an increase in player-to-player interaction."

John Appleton, Director of Electronic Leisure, Mitchells & Butlers: "The Category C gaming machine allowed in pubs currently has a maximum stake of £1 and a max prize of £100. Pub numbers have been in decline for years so I do hope there will be reasonable support for an increase in the maximum stake and prize when the review is finally announced. At levels of £2 and £150, it would be highly unlikely that we would see an increase in problem gambling, and they should help to stem the decline in machine income."

Check gamblinginsider.com on Monday for a full review of the seminar.

KEY POINTS

- Members of the gaming machine industry spoke about its future at a Westminster seminar this week
- John White, BACTA chief executive, lamented FOBTs for damaging the industry's image

- John Appleton of Mitchells & Butlers wants the maximum stake and prize for gaming machines in pubs to be increased

FINANCIALS

GALA CORAL CEO: TAX BURDENS HAVE NOT PREVENTED OUR GROWTH
Carl Leaver analyses the operator's H1 and Q2 performances and sets a target for the Ladbrokes merger completion

How have these results compared with your expectations for H1?

EBITDA being up 16%, despite multiple regulatory and tax hits, is a creditable performance. If you look at it on an underlying basis, EBITDA improved 43%. That benefited from the bounceback in football results from what was a horrendous year last year. In online, where if you adjust the point-of-consumption (PoC) tax, EBITDA more than doubled and was up 118%.

In your opinion what were the standout numbers for Q2?

Online clearly stands out in both the half year and the quarter. Underpinning that

is the continued growth of multi-channel. In the first half of this financial year, we signed up as many customers as we signed up in the whole of the prior year. We're running at around 4,000 customers a week and these customers that are signing up in our shops now account for between 40% and 50% of our online net revenue in the UK, so this is retail having a material impact on our online websites.

How difficult is it to improve online and retail net revenue and gross profit, with regards to the regulatory landscape and factors such as the PoC tax and increased machine gaming duty?

If you look at our business, the hit is approaching £90m of bottom line profit per year for a business that makes just over £200m – it's enormous. KPMG said in a report that any further tax increases would reduce the total tax intake from the industry, because more businesses would go out of business and the tax generated would be lower as a result. I hope that the Treasury appreciates that we are now at that kind of tipping point.

Can you give us a clue as to when the merger with Ladbrokes will complete?

We would hope to be completing it around the autumn of this year. We'll obviously have a number of shops to sell, and we've had very encouraging levels of interest in those shops, from a variety of different kinds of organisations, which is great news.

LOTTERY
SCIENTIFIC GAMES SEALS BELGIAN NATIONAL LOTTERY CONTRACT

Agreement contains option for up to three additional years

Scientific Games has sealed a one-year contract with Belgian national lottery operator Loterie Nationale for the design and manufacture of instant lottery games.

The deal contains the option for an extension of up to three additional years, while the supplier will also provide the lottery with consumer marketing support.

Following this agreement, Scientific Games now supplies 23 of the world's

25 leading lotteries, ranked by instant game per capita sales.

Jannie Haek, CEO of Loterie Nationale, said: "One of the primary reasons we selected Scientific Games is the results experienced by several other major lotteries in Europe with instant game products.

"We believe Scientific Games' consumer insights, marketing strategies and the innovation they are bringing to instant games will be a means to entertain our players and grow revenues for Loterie Nationale."

John Schulz, Senior Vice-President, Global Instant Products for Scientific Games, said: "Instant products, often supported by interactive second-chance drawings on mobile and web, continue to be the largest year-on-year revenue growth for lotteries in many jurisdictions around the world."

SPORTS BETTING
MR GREEN ANNOUNCES SPORTSBOOK LAUNCH

The launch comes in time for UEFA Euro 2016

Mr Green is to branch out of being a casino-only operator by going live with its sportsbook ahead of a planned launch.

The plans for the sportsbook were first announced in February, and the operator's CEO Per Norman told *Gambling Insider* that the completion of the plans would occur when it could reach agreement with a third-party supplier.

Kambi was confirmed as the sportsbook provider in April. The sportsbook launch coincides with Euro 2016, which begins tonight.

Norman said on Tuesday: "By launching a sportsbook, we are meeting our customers' demand for betting and odds.

"We have built a sportsbook of the same high quality as our online casino and I'm happy that we can launch the sportsbook ahead of the European Championship."

This has been a year of change for Mr Green, which recently moved from the Stockholm Nasdaq list to the AktieTarget list.

THIS WEEK IN NUMBERS

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



The record revenue generated by Maryland's five casinos in May



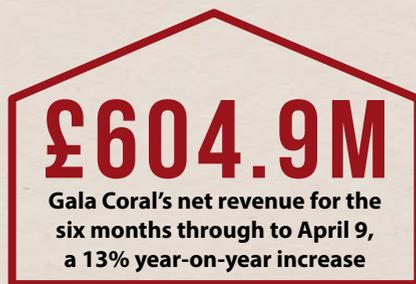
The maximum fine in roubles faced by unlicensed gambling operators in Russia, under a bill submitted by the Russian government to the State Duma, per RIA Novosti



Prize pool in BetVictor's "Million Pound Goal" promotion, with punters predicting the minute and scorer of the Euro 2016 final's first goal



Projected value of the new Foxwoods Resort Casino at Biloxi Pointe, announced this week by the Mashantucket Pequot Tribal Nation



Gala Coral's net revenue for the six months through to April 9, a 13% year-on-year increase



The number of delegates expected to have attended this week's iGaming Super Show in Amsterdam



Q1 growth in Denmark's online sports betting and casino products' GGR



Percentage of the traffic generated by top online operators coming from direct traffic
Source: SimilarWeb



Vote by which a bill to legalise online poker in California passed through the California Assembly Governmental Organisation in April. The bill now delayed due to the introduction of new amendments

GUEST COLUMNIST

GETTING READY FOR THE BIG KICK-OFF



By Erik Logdberg
Chief of Business Development and Deputy CEO, Kambi

All eyes will be on Paris tonight as the European Championship kicks off with the hosts France taking on Romania.

It is no surprise to say that a major football tournament is a massive opportunity for operators from an acquisitions perspective. But to fully capitalise, sportsbooks must take a longer-term view, and ask themselves how best to ensure that the new players gained during a summer of football return to the fold when the regular football season begins again in the autumn.

An analysis of data from Kambi sheds some light on how to best approach the challenge. During the 2014 World Cup, our partners underwent a massive increase in player acquisition during the tournament, however the retention rate was slightly lower than usual, which suggested that it takes a concerted effort to retain players who have been initially engaged during a high profile event.

Getting to know your players

At the heart of this challenge is getting to know these new players. Without a series of accurate insights into players' habits, it is impossible to leverage the personalisation tools we now make available to customers.

Take the findings from a recent piece of research we carried out, which

found that around 65% of users during the biggest matches at Euro 2016 will bet on a second-screen while watching the action on television.

The figure is 20% higher than the expected rate for lower profile sporting events, indicating that operators with leading mobile experiences will be the ones the players' turn to during the big events.

We also found that instant markets, such as next throw-in or next corner have grown in popularity in recent years and play a significant role during big tournaments. Given that these markets are mobile and second screen friendly, they are likely to be key growth areas for operators in 2016.

Standing out from the crowd

These are just two insights from the player data. Companies in other e-commerce industries have for some time very efficiently used customer insights to optimise the user experience and deliver a strong product. Now the gambling industry is following that example, but it requires flexibility in the platform to turn customer insights into actions which benefit the end-user. We have found a collaborative approach with operators has been the best way to provide this flexibility.

The emergent trend in recent months has seen operators including LeoVegas, Mr Green and Rank Group engage the best elements of a reliable, cost-effective turnkey sportsbook provider while innovating and differentiating on top of the provided platform.

For instance, once an operator has used the data to categorise players, it is then possible to offer them a personalised experience through tailored presentations, widgets and

other elements which specifically meet their requirements.

Equally these operators can then use a toolbox of retention tools to offer players relevant bonus programmes which reflect wider customer trends and not only help extract maximum value from each player, but also increase the chance the player will return for more.

It is only through this type of customisation that operators can hope to retain players beyond the initial excitement of a major football tournament.

Flawless experience

Players now take a flawless user experience as a given. It is not enough to simply offer a product which works; instead, it must engage the player or risk losing them.

As a result, operators similarly expect their sportsbook to run smoothly from an operational perspective, so they can focus on improving the experience.

This means everything from an agile integration capability – at Kambi we can fully integrate a new operator in as little as six weeks – to service excellence and a strong support team.

For operators to fully capitalise on the European Championship, we will need to see them taking an innovative approach to retention and personalisation. And for those which succeed, there will be something to celebrate long after the final whistle.

Erik Logdberg is the Deputy CEO at Kambi. Erik has a background in electrical engineering and over 10 years of experience in sports betting, starting his career as a trader before becoming Head of Live betting at Unibet and Chief of Business Development and Deputy CEO at Kambi

OUT NOW: Make sure you grab your copy of the summer sports-betting special of *Gambling Insider*. The potential impact of the UK leaving the EU, the Horserace Betting Levy saga and potential casinos in the Eastern Med are just some of the other issues being looked at in depth

