GI FRIDAY

WEEK 25

FRIDAY 17 JUN 2016

THIS WEEK

- UK operators reportedly closed 20,000 accounts
- GVC gets green light in New Jersey
- Global Gaming Awards 60th judge announced
- Column: Daniel Graetzer, Mediatech Solutions

TOP STORY

POTENTIAL BLOCKBUSTER MERGER ANALYSIS

Is there any substance behind this week's DraftKings and FanDuel link-up rumours?

Bloomberg broke the story this week that the two giants of the daily fantasy sports industry, DraftKings and FanDuel, were in discussions focused on a blockbuster merger. Neither operator gave direct comment to either validate or squash the story, leading to speculation that investors in both companies have been pursuing the deal for a considerable period of time.

The Bloomberg article leaves us with more questions than answers, most pressingly how likely the merger is to happen, and what the motivations could there be for either company, both of which hold a huge market share in what is seemingly a booming industry, to make the deal, particularly if DFS regulation is passed in New York before the new American football season.

The second question is easier to answer. Despite DraftKings' entry into the European market earlier this year, there is no doubt that the US market is the daily fantasy sports industry's cash cow for the foreseeable future and, despite a degree of regulation, all is far from plain sailing in the US. With no significant European market to fall back on, as PokerStars had when it was shut out of the USA in 2011, the uncertainty caused by the ongoing legal wrangling revolving around DFS means it makes sense for FanDuel and DraftKings to combine their efforts to legally solidify the market, rather than compete. That train of thought inevitably leads in the direction of merger talks. **CONTINUED ON NEXT PAGE ►**

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As Valery Bollier, CEO of European DFS operator Oulala states: "The reality of the US domestic market doesn't give them [FanDuel and Draftkings] much option. United, they represent a significant percentage of the US market. They would be able to speak with one voice, which would most likely help them build a more efficient strategy in their discussions, or fights, with the regulators of the different US states."

But even if a merger to help establish a regulated market is best for both companies, many are skeptical that the merger will ever come to pass.

"The two companies have very different corporate cultures," Bollier explains. "FanDuel grew organically, while DratfKings grew mainly through acquisitions. And one is twice as old as the other, there are many differences to put aside."

It might not get that far though. Antitrust law is notoriously strict in the USA. The Horizontal Merger Guidelines published by the Federal Trade Commission and Department of Justice in 2010 are clear that any merger seeking to create a monopoly will be blocked, and mergers between the two biggest operators in a market will be particularly heavily scrutinised. Combined, DraftKings and FanDuel hold 90% of the US daily fantasy sports market share, which would seem to satisfy the test laid out by legislature.

In an environment where every action by a DFS operator in the USA is being heavily scrutinised on all sides, a proposed merger would no doubt come under some form of legal attack, one that as things stand it appears very unlikely to survive.

KEY POINTS

- DraftKings and FanDuel are yet to comment on speculation that the companies have been in merger talks
- A shared desire to combat regulation issues in the US is the main reason the companies could merge
- But US antitrust laws could block the move if it is deemed that a merger would create a monopoly in the DFS market

US ONLINE

GVC GETS NEW JERSEY LICENCE APPROVAL

BwinParty owners now able to expand further into the US market

GVC Holdings, owner of BwinParty, has been granted licence approval by the New Jersey Division of Gaming Enforcement to operate in the state.

While Bwin does not conduct business in the US, PartyGaming has been active in New Jersey since the regulated market launched in 2013. GVC was allowed to continue operating NJPartyPoker.com while its licence application was under review, after completing a deal to purchase BwinParty for 25p in cash plus 0.231 new GVC shares per BwinParty share.

A point of interest now is whether GVC CEO Kenny Alexander performs a u-turn of sorts on the online gaming group's future US plans, where it is clear he is not prepared to be overly patient.

In a previous interview with *GI*, Alexander said: "The idea would be to take some cost out of the business and run it to break even. One of the issues BwinParty has had is that it's tied itself in knots and relied a lot on the US business opening up, and obviously it hasn't really opened up in the way they had hoped. That has damaged their business. The US is not a big part of our overall strategy.

"If we don't get a New Jersey licence or if we think the US business is going to continue to lose money, no matter what, then we would take us out of the US."

UK SPORTS BETTING

UK OPERATORS HAVE ALLEGEDLY CLOSED 20,000 ACCOUNTS

Survey could tarnish appeal of betting industry

The UK Horseracing Bettors' Forum (HBF) has estimated that 20,000 British online accounts were closed by operators over the last six months.

The estimation was included in a publication of the results of a survey conducted between 3 April and 30 April, which found that over 4,000 accounts were restricted in the previous six-month period and over 1,000 accounts were closed.

Those numbers were based on the reporting of 878 respondents, 59% of which stated that their interest in betting on horseracing had been reduced as a result of account restrictions and closures.

The survey was open for horseracing bettors only.

While the survey only reported 1,000 account closures, the 20,000 estimate is based on separate figures obtained by HBF from bookmakers.

That data also leads to an estimation that 40,000 accounts are likely to have been restricted in the period and that at least 7,000 individuals are likely to have been affected.

94% of respondents claimed to have been given no other reason for the restriction or closure than it being a "trading decision".

GLOBAL GAMING AWARDS

GLOBAL GAMING AWARDS PANEL REACHES 60 JUDGES

Most extensive panel in gaming awards history continues to expand

The Global Gaming Awards hit a new milestone this week, as the 60th judge was confirmed to the esteemed panel of industry leaders, pioneers and innovators.

Anna Sainsbury, CEO of location service provider GeoComply, is the latest senior executive to be added to the most comprehensive judging panel in gaming awards history. Sainsbury joins other gaming heavyweights including Ainsworth Game Technology CEO Danny Gladstone, Colossus Bets CEO Bernard Marantelli, NSoft CEO Stjepko Cordas and Yggdrasil CEO Fredrik Elmqvist as a new Global Gaming Awards judge in 2016.

This year's new judges will join Global Gaming Awards veterans including Scientific Games Corp CEO Gavin Isaacs, BetClic Everest Groupz CEO Isabelle Andres and American Gaming Association President and CEO Geoff Freeman to determine the 2016 Global Gaming awards winners.

The judges will vote for the winners in each of the 12 categories once the awards shortlist is announced in July. The votes will then be independently counted and verified by KPMG, and the winners will be announced at a presentation ceremony in Las Vegas on 26 September.

THIS WEEK IN NUMBERS

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

33%

Year-on-year increase in internet gaming win for New Jersey for May, up to $16.5m

16%

Share of wagers on the winner of Euro 2016 that were placed on England with William Hill across all markets except Australia prior to the start of the tournament

£10M

The headline pool of Colossus Bets' Pick6 pools game running throughout Euro 2016

50%

Month-on-month decrease in online poker revenue for PokerStars partner Resorts AC for May, to $1.2m.

53-5

Vote by which the New York Senate approved S5302, a bill to legalise online poker

$2.75M

Fine to be paid by bet365 for misleading advertising of free money to Australian players

53%

Social media traffic to top gambling sites directed via Facebook as of February 2016

Source: SimilarWeb

375

Number of casino employees recently laid off by Genting Singapore's Resorts World Sentosa

€248M

GVC's full year revenue for 2015, up 10%

$282,100

Record i-gaming monthly net revenue for Delaware was set by May's figure

GUEST COLUMNIST

TIME FOR GAMING TO "THINK GLOCAL"

By Daniel Graetzer
Director and Deputy CEO of Mediatech Solutions

It feels like the gaming conference circuit is becoming more demanding by the year.

Long gone are the days when a yearly visit to London, Amsterdam and perhaps Macau sufficed. Nowadays there is an important summit taking place somewhere in the world on practically a weekly basis.

Over the past few months and weeks I've travelled on behalf of Mediatech Solutions to a number of diverse emerging markets, including Panama, Romania, Philippines, Peru, Nigeria and most recently Kenya.

What I am seeing is a breadth of opportunity which is unprecedented in our industry's history, but one which is, I'm afraid to say, being poorly addressed by most major European and North American providers.

Think globally, act locally

Something I'm starting to see in many of these regional markets, particularly those in Africa and South America, is an ever increasing demand for local investment from suppliers.

This goes against much of the traditional thinking of providers who are used to supplying a one-size-fits-all turnkey solution to operators, in the expectation that these markets will eventually fall into line with the most "advanced" European jurisdictions.

This is a fatally flawed way of thinking, and any provider pursuing it is unlikely to find success. While the major European markets may be bigger and more established, this does not mean the competitive environments across Africa and LatAm can be disregarded.

There is still intense competition and labyrinthine regulation to negotiate before this market potential can be realised.

It seems strange to me that while personalisation and customisation are industry-favourite buzzwords at the moment in Europe, few seem to understand their importance in other markets.

The uncertainty surrounding many emerging jurisdictions, particularly those in the process of passing new legislation, has made the local approach more important than ever.

Things can change in these markets remarkable quickly. Take the example of Nigeria, where new regulation has led to evolving player preferences. Verticals including lottery, sports betting and virtual sports are now challenging the traditional retail pool-betting which used to dominate.

To make the most of these opportunities providers must be ready to plug into local business networks. Sure, your platform might offer 30 different payment solutions, but if you want to make an impact in Kenya, that number better include M-Pesa.

Flexible approach

Those which do ultimately succeed will be those who offer the flexibility required to operate in new markets which look very different to what most in our industry are used to.

Once again, the days of the turnkey solution have long past. We now have unprecedented access to reporting and data analytics tools, and these need to be used to full effect to gain an in-depth understanding of new markets.

And once we better understand the markets and the players, products need to be tailored to meet these new demands.

In the face of often restrictive legislation, the temptation has been to water down core products and hope for the best.

But we are seeing swathes of new, locally-focused content emerging from a number of developers. This needs to be integrated intelligently so it reaches the right audiences, and this can only be achieved with both a flexible platform and a flexible mentality.

The same applies to the omni-channel side, which is a big focus for Mediatech. Many of the markets currently passing online gaming legislation already have a strong land-based heritage.

It will be those who can best forge partnerships in the omni-channel space with these existing land-based operators who enjoy most success, so platforms need to be able to adapt to the challenge.

But more than anything, to succeed will require an entirely new way of thinking. Markets like Kenya are not simply places where existing products, ideas and strategies which have worked in Spain or the UK can be rolled out.

Certainly those of us who are established in major European markets are well placed to capitalise on these new opportunities, but first it is critical to understand that the path to global success begins with a local approach

Daniel Graetzer is the executive director and deputy CEO of Mediatech Solutions, where he is responsible for overseeing the company's global strategy as part of an executive management team. He joined Mediatech in 2013 as the firm's chief strategy and product officer and previously served as a director of MCM Entertainment Group

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