



WEEK 27

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THIS WEEK

- Gambling Commission warnings over novelty bets
- Amaya holds AGM behind closed doors
- Pennsylvania i-gaming bill heads to Senate
- Guest Column: Matt Stephenson, Betgenius

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TOP STORY

ANALYSTS WARN OF ECONOMIC PRESSURE

What will happen to the financial performance of UK operators post-Brexit?



Last week's Brexit vote, where a 51.9% majority of UK voters opted for the UK to leave the European Union, had an immediate impact on the share price performance of leading UK operators.

When trading opened on Friday, William Hill's share price dropped from 300.2p to 237p, but has since recovered to 259p at the time of writing.

For Paddy Power Betfair, the share price fell 25% to 6,550p and Ladbrokes saw its cost of shares decline 10% to 117p. At the time of writing the price of shares in both companies had improved to 7,975p and 110.4p respectively.

Gambling Insider collated the views of industry experts on how the situation will pan out over the long term.

Simon Davies, Head of European Research, Canaccord Genuity, told *Gambling Insider*:

"There are some companies which are relatively Brexit friendly, because a very high percentage of their revenues come from outside the UK, and they have online business models which should make them resilient. So at one end of the spectrum you've got an operator like GVC, which is online and has limited exposure to the UK. And its share price is denominated in pounds, but its revenues and profits are denominated in euros **CONTINUED ON NEXT PAGE** ►"

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so the relative strength of the euro will be positive for the valuation. At the other end of the spectrum you've got an operator like William Hill, which has a relatively high exposure to the UK through both its retail operations and online business.

"Retail operators will undoubtedly be more vulnerable to an economic slowdown. Historically, gambling spend has been relatively economically resilient, but if you look at the performance of Ladbrokes and William Hill through the last recession around 2009 we did see a decline in the revenues and profits of their retail betting businesses."

Jamie Rollo, Vaughan Lewis and Ed Young, Equity Analysts, Morgan Stanley, commented via a report:

"The leisure sector is skewed towards mid-cap companies with a high domestic UK consumer discretionary exposure. While the referendum result should have no direct impact on the companies in the travel and leisure sector, there will be a knock-on impact from any changes to economic growth, corporate/consumer confidence and currency.

"EPS in the sector has dropped c.11% since the referendum result, taking valuation levels to below their long-term averages. The leisure sector tends to have pro-cyclical valuations."

KEY POINTS

- Share prices in Ladbrokes, William Hill and Paddy Power Betfair plummeted after last week's Brexit vote result surfaced
- Simon Davies of Canaccord Genuity thinks UK retail is more vulnerable than online
- Morgan Stanley thinks the market can only be impacted by an overall economic slowdown

ASIA

VIETNAM STEPS CLOSER TO RELAXATION IN GAMBLING POLICY

The country's casino market could be opened to Vietnamese citizens

After seven years of discussion, a draft decree that would allow Vietnamese citizens to gamble in the country's casinos has been submitted to the government, according to the Vietnam Investment Review (VIR).

The draft decree was submitted by the Lottery and Gaming Division of Vietnam's Ministry of Finance (MoF) on Monday. Existing Vietnamese gambling legislation dictates that casino entry is limited to foreign passport holders and overseas Vietnamese or Viet Kieu.

US ONLINE

PENNSYLVANIA I-GAMING BILL HEADS TO THE SENATE

HB 2150 passed two votes

Pennsylvania's attempts to regulate online gambling and daily fantasy sports in one hit have received a boost after HB 2150 passed a House vote, meaning the bill will be sent to the Senate.

The bill received 32 votes for and five votes against from the Appropriations Committee, while in a separate vote the House of Representatives also passed the bill. However, the margin of victory was more narrow in that vote, with 114 members voting yes, 85 voting no and three declining to vote.

Should the Senate approve the bill, it will then be passed on to be signed by Governor Tom Wolf.

Legislative intent for fantasy contests, table games, slot games and even sports wagering are all mentioned in a short title description of the bill.

Representative Rosita Youngblood introduced an amendment to the bill for the authorisation of video gaming terminals at bars and taverns in the state, which was approved by the House.

UK REGULATION

GAMBLING COMMISSION TELLS OPERATORS TO WISE UP WITH NOVELTY BETTING

Media coverage of suspicious activity prompts warning

UK operators have been warned by the Gambling Commission (GC) on how they should manage novelty betting markets in relation to pre-recorded television shows.

BBC lawyers wrote to bookmakers last year voicing their discontent over the offering of odds on the outcome of pre-recorded productions of *The Great British Bake Off*.

The Sun reported in October that Ladbrokes conducted an investigation

after finding that 42 new customer accounts had been opened by players with links to BBC workers and Love Productions, which independently produces the show.

In 2011 *Strictly Come Dancing's* 2007 winner Alesha Dixon claimed one of the show's producers had won £8,000 by betting on her to win the series.

Richard Watson, Programme Director, Enforcement and Intelligence for the GC, said in a letter to operators: "In a world of social media and rapid communication, the outcome of these markets is likely to be known to an ever-expanding group of consumers before the result is formally announced. We therefore require operators of these markets to demonstrate a robust management of the associated risks in order to ensure they uphold the licensing objectives."

NORTH AMERICA

AMAYA SHUNS OUTSIDE WORLD AT AGM

Media and non-shareholders were not invited

PokerStars owner Amaya is reported to have held its annual general meeting in

private, with media and non-shareholders being excluded from the meeting.

David Baazov, Amaya's majority shareholder, indefinitely left the positions of chairman and CEO in March after being charged with five charges related to insider trading.

However, Baazov said he was stepping down for the "short term" and said he would continue in his attempts to buy the company outright.

Eric Hollreiser, Amaya's Vice President Corporate Communications, is reported as saying outside of the meeting: "We're treating it the way we feel is appropriate for shareholders this year."

Baazov did not seek re-election to the board, while Rafi Ashkenazi, CEO of Amaya-owned Rational Group, has taken over as CEO of Amaya on an interim basis and David Ghadia is serving as interim Chairman.

Although no journalists were present to verify reports, Amaya said all resolutions were approved by shareholders at the AGM, including the election of Ghadia to the board of directors.

Guy Bartlett, Business Intelligence Analyst

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THE AWARDS

Now entering its third year, the Global Gaming Awards will once again be voted on by a truly independent panel of judges, taken from a range of industry sectors and geographies.

THE EVENT

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The Global Gaming Awards 2016 presentation will be held in the Titian Ballroom at the Venetian Palazzo Congress Center.

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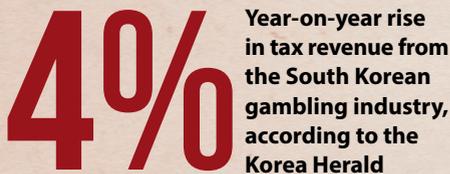


THIS WEEK IN NUMBERS

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

2021

The year Crown Resorts' A\$2bn Sydney casino development, which has now received planning approval, is expected to open its doors



Amount Sportech confirm they have now been paid by HMRC, in relation to the long running VAT repayment claim on its "Spot the Ball" game



Amount that Bet365 has allegedly stalled on allowing an unidentified customer to withdraw from their account for the past two months



Number of casinos set to close in Mendoza, Argentina after failing to meet the local gaming board's objectives of attracting tourists and generating income

1500

Number of video lottery terminals IGT will provide to the Oregon Lottery in an extension to the pair's existing contract

GUEST COLUMNIST

PUSHING CASH OUT TO THE LIMIT



By Matt Stephenson
Business Development Director, Betgenius

As the European Championship enters its final stages, many punters will no doubt be weighing up the idea of cashing out their bets before their outright prediction loses on penalties, their Golden Boot prospect gets injured or an in-running under 2.5 goals bet goes awry.

This kind of flexibility offered by the cash out functionality is now a huge part of the average customer's betting experience, a vital engagement weapon in bookies' armoury to drive up turnover and lock in margin.

But despite its widespread success, cash out in its current form also has its flaws. At Betgenius we have seen an emerging trend of certain limitations relating to the product drawing fierce and consistent criticism from sportsbook customers, particularly on social media, as they get increasingly demanding of their chosen bookmaker. This criticism not only has the potential to damage an operator's reputation, but in the long-run also leads to the loss of customers to rivals.

So what's the problem?

The way football events are traded means bookies are currently forced to limit their exposure by withdrawing the cash out option several minutes before the end of the game. Customers, looking for a last-

ditch raid on their betslip, are being left feeling robbed when their 'winnings' are no longer accessible. And why shouldn't they be able to access their newly-won funds until just before the final whistle?

So while the model for cashing out on a single game or outside of live betting is fairly simple – as demonstrated by the record-breaking withdrawals seen this season on Leicester City winning the Premier League – it gets increasingly complicated with the growing popularity of accumulators.

When multiple games are selected, punters often lose the option to cash out way too early if and when any one of their chosen fixtures is suspended due to anything ranging from a dangerous attack to a red card, or even if one fixture is running ahead of time compared to the other selections.

The solution

Here at Betgenius, we are constantly looking at developing new and innovative technology for our clients and we've been working hard to solve this problem.

Our new Cash Out product will not only help to meet the evolving demands of punters expectations, but will also prove invaluable for bookmakers as they seek to protect their reputation among sportsbook customers.

The fundamental purpose of the technology is to allow operators' cash out function to run independently of its core sportsbook offering.

This means hundreds of live markets across live sports can be offered for 100% of their natural lifetime within an event, enabling clients to assume a much more aggressive stance on cash out without experiencing a negative effect on margin. In other words, operators will not only be able to offer

their customers the option of cashing out for the duration of a game, but also at times when normal betting would be suspended – such as after a penalty is awarded in the last few minutes.

It means operators can offer the option of cashing out across an increased volume of markets, including all handicap lines across high-scoring events such as basketball, significantly boosting engagement across in-play markets. The product can be integrated as an update for existing customers as well as providing operators with no cash out functionality with a market-leading offering straight off the bat.

This development goes to the heart of what cash out was always designed to do – empower the customer by giving them far greater control over their bets. While the core product has proved a game-changer and can be considered a true betting industry innovation, it doesn't mean it can't be improved upon.

Solving the problem of cash out being shut down early results in a vast improvement to customer experience. And as the numbers of casual punters playing accumulators grows, offering a transparent and fair service is common sense for bookies, especially if they want to avoid a backlash every Saturday afternoon on the likes of Twitter.

Matt Stephenson is business development director at Betgenius, the leading provider of sophisticated data-driven software to regulated sportsbooks across the globe. His career in the sports-betting sector dates back to 2003, spending three years at Sporting Index before joining Betgenius in November 2005. Based in London, he is responsible for managing commercial activity across the firm's key operator and lottery accounts

OUT SOON: Look out for the July/August issue of *Gambling Insider*. The unique nature of human resources in gaming, lessons to be learned from the 50-year story of Caesars Palace, and how the industry should fight back against the press are just some of the key issues discussed

