



# WEEK 30

## FRIDAY 22 JUL 2016

### THIS WEEK

- Delaware's year-on-year H1 i-gaming revenue up 93%
- UK operators spent £500m on TV advertising
- Gambling Commission to look at eSports
- Guest column: Yariv Lissauer and Dani Rosen, Leap Gaming

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#### TOP STORY

## REACTION TO HILLS CEO DEPARTURE

### Analysts are forthright about the decision to replace James Henderson



James Henderson's 31-year career at William Hill came to an end on Thursday, departing as CEO after two years in the role.

CFO Philip Bowcock has been appointed interim CEO.

Henderson's departure follows a difficult set of financial results for the bookmaker, with online net revenue up 4% to £550.7m, but online gross profit and online operating profit declining 11% and 29% respectively.

Net revenue then fell 11% year-on-year for the 17 weeks ended 26 April.

Aideen Shortt, Consultant at Random Consulting, told *Gambling Insider*: "James Henderson was to Ralph Topping what David Moyes was to Sir Alex. Therefore it's not a massive surprise that he's been ousted; but arguably he never had a chance. Topping left at the turn, the Playtech online deal that brought Hills from laggard to leader was over and the company never quite managed to stand on their own two feet after that. And the M&A that brought us Paddy Power Betfair, Ladbrokes-Coral and GVC-bwin.party somehow circumnavigated Wood Green.

"My own gut feel is that at this point an internal promotion could move the company forward incrementally, but a fresh face with a new outlook could turn it around. This doesn't need a CFO running it permanently, it needs a rainmaker."

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**FROM FRONT PAGE ►**

Steve Donoughue, CEO at [Gamblingconsultant.co.uk](http://Gamblingconsultant.co.uk), gave his response to *Gambling Insider*: "Dear Chairman of the Board of William Hill. Arguably it's your Board who are to blame for your woes. The rumour was that Ralph Topping got the top job because he was the only applicant who didn't say he would change everything. You guys wrongly thought that in a rapidly moving market place steady as she goes was the correct strategy.

"James Henderson was of the same mould. At least he didn't spend his time belittling southerners for going to Waitrose on his blog while your company paid him millions and gave him free air travel from his beloved Scotland to the office each week. But what he did do was perpetuate the belief that William Hill is the public sector of the gambling world, with lifers making it to the top by Buggins' turn, rather than showing any real flair or ability.

"This may have worked when you were the biggest retail operator and online was just an experiment. Now online is everything, and you need not just a new

CEO but a whole senior management team who can give you a chance of not being the last dinosaur to go extinct on the gambling savannah."

**KEY POINTS**

- James Henderson is leaving William Hill after 31 years
- His departure comes amidst a challenging financial fortunes
- Henderson will remain at William Hill for four weeks for transition purposes

**ESPORTS****GC CEO SPEAKS ON ESPORTS**

**The regulator will try to increase its understanding of the market**

Gambling Commission CEO Sarah Harrison has highlighted eSports as a vertical that may need particular focus being placed on it moving forward.

Comments were made in the GC's 2015/16 annual report, where the regulator confirmed that 27% of its costs by strategic objectives were spent on partnerships and understanding.

Harrison wrote: "The growing market in eSports and computer gaming has

scope to present issues for regulation and player protection – issues which are being examined by gambling regulators in other international markets.

"These issues range from the emergence of real money eSports betting markets, to trading in-game items which blur the lines between gambling and social gaming."

It has been estimated by agency Stark eSports that the eSports market generated turnover of \$747.5m for 2015, and 100 million unique viewers tune into eSports every month.

**US I-GAMING****DELAWARE'S I-GAMING REVENUE ALMOST DOUBLES FOR H1**

**The H1 total of \$1.5m is up 93% and was boosted by a monthly record**

The regulated i-gaming market in Delaware generated net revenue of \$1.5m for the first six months of 2016, representing a 93% year-on-year increase.

The growth was fuelled in part by a record return for June, with \$304,874 being the highest monthly net revenue recorded for i-gaming in the state since

the first licenses were issued in 2013, with the total up 180%.

The state's three licensed operators – Delaware Park, Dover Downs and Harrington Raceway and Casino – all recorded increases in their net revenue for June.

There was a 162% increase in the total amount won in that month, with \$8.2m paid out to Delaware players.

The net revenue generated by video lottery games saw the most dramatic revenue increase in June, growing from \$45,250 last year to \$185,866.

Net revenue for table games rose to \$82,697 from \$32,812, and poker remained steady, growing \$5,635 to \$36,311.

According to the posted figures, there was a 46% increase in spending on TV spots between 2012 and 2015, rising from £81.2m to £118.5m.

A total of £465m has been shelled out on TV adverts since 2012, which rises to £631m when taking into account the reported spend by lottery operators.

Figures for 2016 up to the end of May reveal that UK operators have thus far spent £51.4m on TV advertising, putting the projected annual total at a record £123.4m.

Growth in TV advertising spend by UK operators has risen since the 2007 passage of the Gambling Act, which allowed advertising for sports betting, online casinos and poker alongside already permitted lottery, bingo and football pools.

According to Legal Sports Report, federal Judge Harry S. Mattice Jr. ruled on 30 June that Erica Miller's argument should remain within a local Tennessee court, against the wishes of the daily fantasy sports (DFS) operator. Despite the perceived delay in reporting by the industry, this would seem to be the first time the ruling had become public knowledge.

Miller's case centres on an attempt to win back money that her husband allegedly lost as a result of a gambling addiction, she argues that DraftKings operated "a daily and weekly fantasy sports website that amounts to an unlawful gambling enterprise and/or lottery".

Tennessee is among the seven states to have fully legalised fantasy sports, but Miller claims damages of \$46,400 out of a total net sum paid by the player of \$57,046.80, as the money was staked between January and April 2016, before the law was signed into law in April 2016.

The total claimed is a part of the reason for Judge Mattice Jr's ruling, as federal courts will only hear cases where the amount in question is more than \$75,000.

**MARKETING**

**UK OPERATORS SPEND NEARLY HALF A BILLION ON TV ADVERTS SINCE 2012**

The total has risen every year since 2012

The spend on TV advertising from UK operators since 2012 is nigh on £500m, according to figures in a report compiled for the Guardian by media analysts Nielsen.

**DAILY FANTASY SPORTS**

**FEDERAL COURT KEPT AWAY FROM DFS CASE**

Judge Mattice Jr. keeps lawsuit in Tennessee

DraftKings was reportedly unable to move a lawsuit to federal court, relating to operations in Tennessee.



**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**

26TH SEPTEMBER | THE VENETIAN, LAS VEGAS

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

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## GUEST COLUMNIST

**THE CHALLENGES AND UPSIDES  
OF OFFERING 3D GAMING CONTENT**

**By Yariv Lissauer**
*CEO, Leap Gaming*
**By Dani Rosen**
*Head of 3D Development, Leap Gaming*

3D is our natural way of seeing and experiencing our environment. Our world is built in three dimensions and we were granted two eyes to experience it with depth and perspective. It is therefore our default way of consuming everything, including gaming.

3D, as opposed to 2D, provides us with the true sense of depth in space. Characters that we see in 3D Virtual videos change in scale as they move through space, rotate and change shape, and are affected by the environmental light that surrounds them, giving us a sense that we are looking at real-life scenes. The range of colour and light are far richer than 2D scenes, providing far more detail, and are much more engaging. When done properly, 3D output can imitate reality in such a perfect way that the viewer will not know that the video he's looking at is computer-generated. The obvious impact is much more immersive, hence engaging, content.

In many gaming verticals, businesses are shifting from 2D to 3D because of this very reason. In some gaming verticals (most notably virtual sports) it is practically impossible to deliver worthy content if it is not done in 3D. Viewers of realistic 3D content feel more immersed with what they see and can relate to what they see as real events. Not only does it replicate real life events, 3D content in virtual sports allows for adding a lot of variation to the displayed sports events, such as changing the appearance of the characters or the environment, without losing the credibility of the game. Having the ability to vary the content while maintaining realism is the essence of high-quality gaming applications (and particularly virtual sports).

The process of creating high-quality 3D content is not simple though. It involves many steps of setup and construction of 3D models; techniques to make them move in a 3D world; creation of 3D virtual textures that imitate real-world textures and virtual materials that behave like real-world materials when light interacts with them under any given circumstances. At Leap Gaming, we deploy advanced proprietary rendering techniques that compute physical light rays as they bounce around the scene, turning each object they hit into a light source, borrowing some of its colour and material properties as they bounce off, just as they would in a real world. This adds tremendous realism, which takes authenticity to the next level and adds another important layer of realism to our computer generated imagery (CGI).

Making the look and feel of the imagery as realistic as possible is only

one aspect of creating 3D content. The other is motion, which is as important as the look. Realistic motion can be achieved either by the work of very talented animators; or by the use of Motion-Capture (or a combination of the two). Both methods have pros and cons that cause a difference in quality, cost and speed. Motion-Capture (MoCap) literally means copying the motion of real-life actors (humans or animals) and applying that motion on computer-created models. MoCap provides hyper-realistic motion, not only because of the fact that it is captured from real-life actors, but also because it is usually captured at a very high frame-rate, similar to the way we are used to seeing the world. Hand animation, on the other hand, tends to place keyframes (key poses) at much larger intervals (because of the amount of time it takes to place each keyframe), which misses some of the fine detail that is usually found in MoCap. Realistic motion includes a lot of subtle and erratic movements that require many keyframes, which can be quite tedious to do manually. Therefore, hand animation is best for cartoony motion or non-hyper-realistic looks, rather than for reality replication content. MoCap, although pricier, is also a much faster process, enabling long motion clips to be completed within days as opposed to months when done manually.

Many businesses stay away from 3D because of all the overhead that is required in order to achieve a proper realistic look, and opt instead to go with familiar and cheaper 2D methods. The consequence, however, is often stagnation and a risk of

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



falling behind the expectations of users, especially younger ones, who are getting more and more used to consuming high quality 3D content from other entertainment platforms (3D movies, 3D gaming consoles etc). The world these days is moving at a fast and growing pace, people have already gotten used to seeing a level of graphics that has surpassed “passable” quality and now expect a look that is as realistic as possible.

A true 3D immersive look is yet to be reached. We are on the verge of higher, more advanced, 3D graphics that involve stereography, where each of our eyes is projected with a different image – to build the full 3D image in our brains. This technology is already in use with 3D movies and is quickly reaching other entertainment forms as well. Interactive venues have already started using Augmented Reality (AR) to promote products, and Virtual Reality (VR) goggles are becoming the new entertainment trend with better smartphone capabilities, both are

expected to be used more and more as businesses find new uses for them.

The current application of true 3D requires the use of devices that are not very accommodating, but as time goes by new development will find ways to make it more accessible and convenient.

Future implementation of AR and VR is expected to become standard, both among social media platforms for private use, and as a method for businesses to deliver to their clients.

Whether the future will involve special goggles or inventions that will deliver true 3D without the use of special devices is hard to tell, but the expectation to see more and more realistic content is bound to increase.

At Leap Gaming we see ourselves as evangelists of 3D within the gaming industry and therefore are extremely excited about these new revolutionary trends. We are certain the gaming industry will adopt them quickly and become one of the leading hotbeds for innovations around this space.

*Dani Rosen is heading Leap's 3D Development. He has a rich background in 3D computer animation from roles that span across many fields including video games, film and advertisement. Before joining Leap he served in senior 3D development roles at Rhythm & Hues, 7 Studios, Legacy Games, Primus, and QQD, as well as managing his own companies Digizone and Metropolis. He holds a B.F.A in Computer Animation from Ringling College of Art & Design in Florida*

*Yariv Lissauer is the CEO of Leap Gaming. He comes from a diverse background of legal, business development, sales and venture capital. Before co-founding Leap, he served as a principal at Synergy Innovations VC Fund and beforehand he worked as a director with Standard Chartered Bank in Hong Kong. Prior to that, he worked as a lawyer at S.Horowitz & Co. in Israel. Yariv holds an MBA from INSEAD (France, Singapore); LLM (Tel Aviv University); and LLB, BA Economics (Cum Laude, from University of Haifa)*

## THIS WEEK IN NUMBERS

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



Number of suspicious betting alerts reported by ESSA for Q2 2016, up from 23 for the same period last year



Number of seasons for which Betfair have agreed to be the official betting partner of FC Barcelona



Price paid by Hydra Industries Acquisition Corp. for a 65% stake in Inspired Gaming Group



Proportion of players who showed a significant tendency towards chasing losses on B1 gaming machines, according to a study of 15,000 players funded by the RGT



Year-on-year increase in the net revenue of Delaware's i-gaming market for the first half of 2016



The number of skin-betting sites named by Valve in a cease-and-desist letter telling the sites to halt the use of steam accounts for any commercial purposes.



Amount seized by Interpol in two separate operations focused on Asia-facing illegal gambling dens and websites during UEFA Euro 2016-07-20



Total spend on TV adverts by UK-facing operators since 2012, per figures compiled for the Guardian by media analysts Nielsen



Amount raised by China-facing lottery provider DJI Holdings from “blue chip long term investors”, as it aims to finance its move into the Chinese mobile payments market