



WEEK 33

FRIDAY 12 AUG 2016

THIS WEEK

- William Hill rejects Rank/888 takeover offer
- NJ sports-betting regulation attempt fails
- BoyleSports wants Ladbrokes/Coral shops
- Guest column: Simona Pinterova, EnergyBet

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TOP STORY

ISAACS NO LONGER SCIENTIFIC GAMES CEO

Takes new role as vice president of the Board of Directors; will be replaced by Kevin Sheehan



Scientific Games has announced that Gavin Isaacs has left the positions of CEO and president to become vice chairman of the Board of Directors. He will be replaced by former Norwegian Cruise Line CEO and President Kevin Sheehan.

Isaacs took the reins at the provider in June 2014, in his time with the company Scientific Games completed its approximate \$5.1bn merger with Bally Technologies, which included the refinancing of c.\$1.8bn of Bally's net debt.

The announcement of Isaacs switching roles was released on the same day as Scientific Games' financial results for the three months ended 30 June, where the company returned to operating profit of \$59.1m, in comparison with an operating loss of \$100,000 for the same period last year.

Revenue for the quarter was \$729.2m, up 5%.

Isaacs said: "On behalf of my colleagues and the board, we welcome our new CEO and President, Kevin Sheehan. This is the right time to grow our leadership team and have someone of Kevin's talent, experience, and financial acumen take us to the next phase of growth and innovation."

Reflecting on the Q2 results, Scientific Games EVP and CFO Michael Quartieri said: "Our ongoing implementation of process improvements is generating operating efficiencies which, combined with fiscal discipline **CONTINUED ON NEXT PAGE** ▶

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in our capital spending and a focus on improving our core working capital, is leading to higher cash flow and reducing our leverage. Since closing on the Bally acquisition in 2014, our total debt has been reduced by more than \$250m."

The appointment of Sheehan comes as a surprise, given that he is from another industry and is an external appointment made by the company's owners.

Sheehan was the CEO at Norwegian Cruise Line for almost five years before stepping down in January 2015, having cemented his reputation by taking the company into the luxury market of the industry. He is also a former CEO of hotel franchise Cendant Corporation.

KEY POINTS

- Gavin Isaacs leaves position as Scientific Games CEO and has been replaced by industry outsider Kevin Sheehan
- Scientific Games merged with Bally Technologies in a \$5.1bn deal during his time at the reins
- The provider also reported a 5% revenue increase year-on-year for Q2

MERGERS & ACQUISITIONS

WILLIAM HILL SAYS NO TO RANK/888 ACQUISITION OFFER

Chairman Gareth Davis labels proposal "opportunistic"

William Hill has confirmed it has rejected a takeover approach from 888 Holdings and Rank Group, reasoning that "it substantially undervalues William Hill."

Hills said the proposal included an inter-conditional all-share merger of 888 and Rank, with 888 acting as the acquiring entity to create an enlarged group that would be known as BidCo.

BidCo would then buy William Hill for 199p in cash plus 0.725 BidCo shares per William Hill share, leaving William Hill with a 44.6% ownership of the new group. In total, the bid did add up to the previously reported price of 364p a share, based on the closing price of 888 and Rank on 5 August.

Hills indicated that it would also reject any future offer by stating: "Having reviewed the proposal with its financial advisers, Citi and Barclays, the board of William Hill has unanimously rejected the proposal.

"In addition, the board of William Hill does not believe that a combination of

William Hill with 888 and Rank will enhance William Hill's strategic positioning or deliver superior value for shareholders compared against William Hill's strategy."

US SPORTS BETTING

NEW JERSEY'S BID TO ALLOW SPORTS BETTING REJECTED

A 10-2 vote shot down the most recent attempt in federal court

Attempts by New Jersey to allow sports-betting at racetracks and casinos in the state has hit the buffers in a federal appeals court.

The Third US Circuit Court of Appeals in Philadelphia ruled that New Jersey cannot enforce a 2014 law permitting wagering on sports at racetracks and casinos by a 10-2 vote.

The court found the law to be in violation of the 1992 Professional and Amateur Sports Protection Act, upholding an August 2015 ruling by a three judge panel that the law amounted to de facto authorisation of betting. Circuit Judge Marjorie Rendell wrote in her report that the court "continues to find PASPA constitutional," while states "may not use clever drafting or mandatory

construction provisions to escape the supremacy of federal law.”

New Jersey State Senator Raymond Lesniak has not abandoned hope for the state’s sports-betting effort, registering his intention to ask the US Supreme Court to hear the case and examine additional opportunities within the state.

UK SPORTS BETTING

BOYLESPORTS PLANS TO BUY LADBROKES AND CORAL SHOPS

The operator anticipates an outlay of £100m to purchase over 350 locations

BoyleSports has outlined its intentions to buy 360 shops owned by Ladbrokes and Coral, that have been put up for sale in order for the Ladbrokes Coral merger to complete, for approximately £100m.

The Competition and Markets Authority made a ruling in July that 350-400 Ladbrokes Coral shops would have to be sold after identifying 642 local areas where competition could be substantially lessened as a result of the merger.

While Betfred has also been rumoured as a potential suitor for the shops, BoyleSports

is not hiding its interest, though it was unclear as to whether a bid has been made or is set to be made.

Jenna Boyle, BoyleSports Retail Director, told The Sunday Business Post: “In phase one, there are in the order of 360 shops that are being looked at.

“By Friday of this week, that’s our deadline for submitting our bid. We’re in the process of reviewing our bid with a view to making that.”

Assuming the deadline was not altered, then at time of publication the formal bid has now been made.

Boyle continued: “The plan is to expand our regional presence in Britain. What we would like to happen, would be an acquisition of the larger scale. The Ladbrokes Coral merger presented an opportunity for us which we definitely need to look at, so we’re driving that process.”

ASIA

KEY MACAU CASINO OPERATOR SEES PROFITS TANK

Macau’s casino gross revenue declined for the 26th straight month

SJM Holdings has not been unaffected by the casino market struggles in Macau, posting a 39% year-on-year decrease in profit to HK\$1.1bn (£108.7m) for the six months ended 30 June.

The operator owns 17 of the 36 casinos in the former Portuguese colony, where it used to have a monopoly before the market was opened up to foreign operators in 2001, two years after China resumed control of the region.

SJM plans to open its Grand Lisboa Palace casino in the second half of 2017.

SJM’s gaming revenue for the period fell 21% to HK\$20.88bn and total group revenue was HK\$21.13bn, also dipping by 21%.

The gaming revenue total gave SJM a 20% share of the market, while SJM’s mass market table gaming revenue of HK\$10.18bn equated to a 23% market share and VIP gaming revenue of HK\$10.17bn gave it an 18% share of that market.

Adjusted EBITDA descended by just over a quarter to HK\$1.63bn and earnings per share went down 39% to HK19.4 cents on both a basic and diluted basis.

THIS WEEK IN NUMBERS

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



28/1
Bet365’s odds on Leicester City to retain its Premier League title – odds across the board were around 5000/1 at the start of last season



33%
Decrease in William Hill Online’s operating profit for the 26 weeks to 28 June, to £43.4m



2000
The last time betting on events in an Olympic Games (Sydney) was available in Nevada before Rio 2016



5,000+
Customers who placed a bet with LeoVegas on the Euro 2016 final, just a few weeks after its sportsbook launch



10
Arrests made as a result of match-fixing allegations regarding a Welsh Premier League football match last season



5%
Boylesports’ market share of total betting premises in Great Britain if it were to purchase the maximum 400 shops that Ladbrokes and Gala Coral must sell to complete their merger



\$2.38BN
Estimated total global internet bingo gross gaming yield for 2016, according to Global Betting and Gaming Consultants

1,350 Seven day average cash game players for Bodog, which has reportedly seen its platform partner Bovada sold to Ignition Casino

GUEST COLUMNIST

THE VALUE OF FOOTBALL CLUB PARTNERSHIPS


By Simona Pinterova
Public Relations
Manager,
EnergyBet and
EnergyCasino

This football season will see an unprecedented number of clubs across Europe partnering with sports-betting brands. In the Premier League alone, half of the teams will have the logo of a sports-betting operator on their shirts, with a host more commercial deals and partnerships signed on top of that, including the first agreement between a Premier League club and sports-betting operator for the naming rights to a stadium. With Premiership matches often pulling in millions of worldwide TV viewers, tens of thousands of fans watching live in stadiums, and receiving extensive online exposure, the potential value of these deals to the sports-betting operator is undeniable. But exposure is one thing, engagement is quite another.

One major potential problem in sports betting is brand differentiation. Most sports-betting brands are offering a similar product, and often have names and visuals that can be confused with each other. Contemporary consumers exist in such a media-saturated environment that messages need to be exceptionally targeted and seen in the right place, at the right time, to be effective. If consumers, for example, remember a sports-betting ad, but

not the exact brand, then whilst it may benefit the industry as a whole, it will fail the originator.

Football clubs come with ready-made, committed and passionate fan bases, and these need to be connected with. Partnerships need to tap into, become part of, and add to that passion. Though sponsorship money is obviously a positive for any club, brands still need to be sure that partnerships are seen as a positive by the fans. Perception really is everything. Campaigns must be on message, targeted and relevant from the very outset, but they also need a receptive audience to be truly effective.

For example, newly-launched sportsbook EnergyBet has carefully cultivated partnerships with two British football clubs, Championship side Aston Villa and League Two's Leyton Orient. Being Aston Villa's official betting partner means that EnergyBet enjoys extensive exposure on the pitch-side advertising screens, in-stadium screens, plus co-branding on official Aston Villa websites and social media. In the case of Leyton Orient, EnergyBet is the club's main sponsor, with its logo on its shirts. Though two very different clubs in terms of scale, EnergyBet's approach has been similar for both. By working closely with the clubs we have identified what makes them unique, and put together fluid, changeable strategies. EnergyBet has positioned itself to go on a journey with the clubs and their fans, to write a story with them rather than trying to force a rigid pre-set narrative.

In both partnerships the Energy team has been making extensive efforts to be seen at the stadium, and at club-related events. Often this involves the EnergyGirls, the in-house

promotional models team, giving away free merchandise to fans, running competitions and producing content for social media. This interaction links together the branded media and builds rapport with the fans. Though only a small fraction of the reachable consumers will be fans actually attending matches, social media can be employed to the same effect. Responsiveness and natural interaction is at the core of EnergyBet's social media strategy. Again, building trust with fans around the world is paramount. This is the kind of model that is vital in order to make partnerships deliver value as we move forward, and will only become more so.

So are football-sports betting partnerships worth it? Absolutely. Such partnerships hold enormous potential for any brand, but to realise that potential is no easy task. The very energy that makes football so popular, and maintains the huge fan bases of clubs, is passion. It is that passion that needs to be harnessed in order to make a partnership successful. That can only be achieved if the fans feel like the partnership is "on their side," delivering obvious, visible benefits to their club. Football clubs themselves thrive because of loyalty and teamwork, and partnerships need exactly the same.

Simona Pinterova is the public relations manager at EnergyBet and EnergyCasino

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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

