



# WEEK 36

## FRIDAY 2 SEPT 2016

### THIS WEEK

- NYX reports H1 revenue rise of 166%
- 888 rows back from potential Rank merger
- Icahn rejects Trump Taj Mahal resolution bid
- Guest Col: Susan O'Leary, Alderney eCommerce

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#### TOP STORY

## GALA CORAL ENJOYS STRONG FINANCIALS

### Ladbrokes Coral merger on track for autumn completion; parties "interested" in shops



Gala Coral remains on track to complete its merger with Ladbrokes in the autumn and a number of parties have expressed an interest in buying 350-400 shops from the merged entity in order to do so.

That announcement was made by Gala Coral in its financial report for the 12 weeks ended 2 July, where group net revenue increased 10% year-on-year to £264m and EBITDA went up 13% to £57.7m, while gross profit ascended 11% to £184.6m.

For Coral retail, net revenue was £165m, up 5%, and gross profit climbed 6% to £122.8m.

Net revenue and gross profit increases were also reported for online, to £76.3m (+19%) and £53.1m (+25%) respectively.

On Gala Coral's performance during Euro 2016, CEO Carl Leaver said: "Online customer acquisition volumes during the Euro 2016 football championships were encouraging. As with the 2014 World Cup, Coral did not advertise on TV, instead focussing marketing investment on channels where we see a positive return.

"Our predictive models indicate that the value of customers acquired during the Euros is around double the levels achieved in the 2014 World Cup. **CONTINUED ON NEXT PAGE** ►

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## FROM FRONT PAGE ►

Combined with very competitive costs of acquisition, this will drive impressive returns on our marketing investment."

A highlight for the period was the Competition and Markets Authority's ruling in July that the Ladbrokes Coral merger can proceed, pending the sale of 350-400 shops.

Gala Coral said: "A number of parties have expressed interest in purchasing these shops, and the disposal process is well under way. As previously guided, we expect to complete the merger during the autumn."

## KEY POINTS

- Gala Coral 12-week net revenue up 10% to £264m in financial report
- Merger with Ladbrokes remains on track for autumn completion
- Multiple parties keen on 350-400 shops that must be sold for the merger to go ahead

## FINANCIAL

### NYX POSTS REVENUE RISE OF 166% IN H1 REPORT

## The supplier continues to target long-term growth

Industry provider NYX Gaming Group has targeted long-term, sustainable revenue growth after recording a significant rise in revenue for the six months ended 30 June 2016.

In a statement, NYX announced that its revenue for H1 has experienced year-on-year growth of 166%, rising from Can\$20.6m to Can\$54.9m.

Gross profit also surged at a similar rate, rising 163% to Can\$47m, while adjusted EBITDA climbed 224.6% to Can\$15.3m.

NYX did, however, record a net loss of Can\$38.2m, in comparison to positive net income of Can\$8.8m for the same period last year.

A strong three months to 30 June boosted results for H1, with revenue of Can\$35.2m representing year-on-year growth of 230%.

NYX took further positives from the second quarter of 2016, stating that it has seen strong demand in both its Open Gaming System and Open Platform System, while its content studios released 26 new games over the period.

## FINANCIAL

### 888 DENIES POSSIBILITY OF RANK MERGER ALONGSIDE POSITIVE H1 RESULTS

#### Sports betting and casino growth spur revenue hike

Online operator 888 Holdings has moved to distance itself from the prospect of a merger with Rank Group, following the pair's failed attempt to initiate a three-way merger with William Hill.

While Rank CEO Henry Birch had told The Times newspaper that "such a deal would not be unreasonable", his 888 counterpart, Itai Frieberger, has been quoted by the Evening Standard as saying that "merging independently with Rank is something which is not part of our plan."

Frieberger also commented: "If there is an opportunity in the market we will go for it... but it is not mandatory."

In related news, 888 has hailed a "very encouraging performance" in its latest half-yearly report, with group revenue growing 19% year-on-year to \$262m.

Frieberger cited "outstanding momentum at 888Casino and 888Sport" as the driving force behind this increase for the six months

ended 30 June, with casino revenue climbing 31% to \$137.4m, while sport revenue shot up by 63% to \$25m.

The number of active casino players in Q2 2016 was up 35% compared to the same period in 2015.

Total B2C revenue for H1 rose by 21% to \$229.5m, while adjusted EBITDA grew to \$44.1m, an increase of 8%.

888 also noted an increase in profit before tax of 39%, up to \$27.8m compared to \$20m for H1 2015.

#### ASIA CASINOS

### PACKER LOSES CONTROLLING INTEREST IN CROWN

#### AUD\$448m share sale still leaves him the major shareholder

James Packer has relinquished his majority shareholding in Australian operator Crown Resorts, selling approximately 4.8% of the group's issued share capital, around 35m shares, for a reported AUD\$448m.

The transaction, carried out by Packer's private investment vehicle Consolidated Press Holdings (CPH), reduces Packer's stake in Crown to 48.2%.

While Packer loses his controlling interest as a result of this sale to undisclosed investors, through CPH he will remain Crown's largest shareholder.

The sale further diminishes his public role in the Crown Resorts business, having stepped down as Executive Chairman in August 2015 to be replaced by Robert Rankin.

In a market statement, CPH governance said that the sale was "conducted as part of CPH's financing and capital management strategy", adding that it "remains deeply committed to Crown Resorts and is excited about the future for the company".

#### US CASINOS

### ICAHN REJECTS RESOLUTION OFFER IN TRUMP TAJ MAHAL ARGUMENT

#### The casino is still set for closure on 10 October

Atlantic City's Trump Taj Mahal Casino Hotel remains set to close on 10 October, after its owner Carl Icahn rejected a settlement offer from a workers' union that would have ended a dispute with the casino's employees.

The Associated Press (AP) reported that Icahn opted not to re-enter negotiations with the Unite Here Local 54 union, the organisation which is representing workers that are striking after losing benefits regarding health insurance and pension benefits.

That followed the bankruptcy proceedings the casino went through, beginning in October 2014, when a judge approved the benefit cuts.

Around 1,000 employees of the casino went on strike in July and it was announced earlier this month that the casino will close, which will lead to the losses of approximately 3,000 jobs.

The terms of the offer would cost Icahn \$1.3m more than his last offer, according to the union, with the operator paying for the same healthcare that workers across the rest of the city receive from 1 January 2017.

Paid breaks would be restored, housekeeper work load would return to the industry standard and subcontracting protections for workers would be immediately restored.

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## THIS WEEK IN NUMBERS

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



# 5,000+

Expected to attend next year's London Affiliate Conference, announced this week to be moving to the ExCeL



Atlantic City casinos that will remain when Trump Taj Mahal closes



# 1.1

Estimated percentage points the Macau government went over its cap on 3% table game growth per year at the end of 2015, according to brokerage Daiwa



Ladbrokes and Gala Coral's current share of betting premises in Great Britain, based on the latest Gambling Commission figures

# \$10.5M

Term loan secured by Galaxy Gaming, maturing in August 2021, that will refinance existing long-term debt

# £17.1M

Cherry's revenue for H1 2016 - up 80%

# 43.5P

Spike in Playtech's share price last Friday morning, up to 942.5p, following the release of its H1 financial results the previous day

# 54%

Casino's majority share of 888's revenue for H1 2016 - \$141.5m



Combined market cap of Rank and 888 if they were to merge, based on Yahoo Finance's figures at the time of writing

## GUEST COLUMNIST

## REGULATING CHANGING TIMES



**By Susan O'Leary,**  
*Director of  
eCommerce,  
Alderney*

Term dates are forever etched in our memories and I'm sure the "back to school" mentality stays with us into adulthood. September undoubtedly still marks the start of the new term, with everyone returning from holidays, primed for the busy months ahead.

For me, this time also marks a year since I took up the role of director of eCommerce for Alderney. A full year of travelling the world to talk about the Alderney advantage, to broadcast our offering and discuss the benefits that a licence with the Alderney Gambling Control Commission (AGCC) can offer.

So as I reflect on my first year, what have I learnt? I'm no stranger to the industry having advised eGambling companies for many years in my previous role as a Commercial Lawyer at a global offshore law firm. I understand the rapid pace at which things change, the speed of innovation and the necessity to be fleet of foot and flexible, not only to move with the times but to predict what's coming and be ready to embrace it.

A particular topic of conversation that I've heard this year concerns young Millennials, and what we as an industry are doing to prepare ourselves for their coming of age? They're digital natives, growing up with constant access to an entire world in their pocket and they're very soon going to be

turning 18. The online gambling industry now has the opportunity to interact with this generation 24/7, providing them with multiple opportunities to engage with their businesses – so how are they adapting to the market's change in appetite?

It's not just Millennials of course, the interests of all users are changing rapidly. Who would have thought that an augmented reality game would have tens of millions hooked in the space of a month? There's no question that virtual reality will change the future of our world, it's merely a question of when - the possibilities are endless.

While gaming companies and tech developers are working on the next big innovations, we as a regulator are constantly looking at the way we work, to ensure that we're prepared for what's coming next. Alderney's regulatory framework puts us in a unique position in a number of ways. We offer an inclusive framework, which is flexible enough to incorporate changes in technology and innovations in the industry. Many other regulators are looking at how they can regulate eSports and daily fantasy sports for example - Alderney already has a framework to accommodate these games.

The AGCC works closely with operators and AGCC relationship managers are aligned with licensees' businesses and, with their industry knowledge and experience, are in a position to support them to develop and grow. One unique factor defining Alderney's world-leading reputation is that bespoke arrangement between the operator and the regulator. The regulatory regime can be tweaked on a risk-based approach, depending on the activities of the operator.

This flexibility is part of what makes the Alderney regime so attractive to operators seeking regulation for their business. Regulation can often be considered a

burden, especially for young companies looking to grow – so in Alderney we aim to not only relieve that burden, through minimising unnecessary duplication of regulation and regulatory costs for example, but also through the provision of premium service for all licensees.

Of course robust regulation is at our core – the AGCC's mission remains to ensure that eGambling is conducted honestly and fairly; that funding, management and operation of eGambling remains free from criminal influence and; that the interests of the young and vulnerable are protected – but we're also a team of highly experienced eGambling professionals who understand the complexities of industry and have been involved since its very start. We can provide organisations with access to new markets and a wealth of contacts and introductions, that aren't afforded elsewhere. We can support them to meet their strategic goals, to grow, expand and ultimately succeed.

As the new term begins, I reflect on how my new role has provided me with a great opportunity to make new connections and strengthen existing relationships, to listen and really understand what the industry needs and wants from a regulator. Regulating in this rapidly changing landscape is not without its challenges, but we always have one eye on new developments, and this has led us to work on some really exciting projects that will come to fruition in 2017. These initiatives will help to ensure that Alderney's regime remains future-proofed and fit for purpose in our ever-evolving industry.

*Susan O'Leary, Director of eCommerce for the States of Alderney, is a lawyer who has represented some of the world's leading eGambling operators and gambling service providers including many of Alderney's licensees*

**OUT SOON: The September issue of *Gambling Insider* is out next week. The direction the casino industry is heading in is up for discussion, as is the controversy surrounding skin betting in eSports, what DFS did right that poker didn't in the U.S., the emergence of social betting sites and much more**



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