



WEEK 43

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THIS WEEK

- Bitcoin accepted by first UK operator
- Hills/Amaya merger talks called off
- Crown employees detained in China
- Guest column: Amir Obralic, NSoft

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TOP STORY

TABCORP & TATTS AGREE MERGER TERMS

Value will exceed A\$11bn; Tabcorp will take effective control of the merged entity



Australian gambling giants Tabcorp Holdings and Tatts Group have unveiled the terms of a merger to create a A\$11.3bn wagering powerhouse.

Shares in the two companies were placed in a trading halt on Tuesday morning, "pending an announcement in relation to a potential change of control transaction". On Wednesday morning the prospect of a merger sent Tatts shares up 15.46% to A\$4.145 and Tabcorp was also up 2 per cent to A\$4.99 in mid-afternoon trading.

Boards of both companies unanimously settled the deal, which will effectively give Tabcorp control of the merged business.

In a pitch to its investors, the companies stated that the new combined company's pro forma enterprise value would be about A\$11.3bn, with a market capitalisation of about A\$8.6bn and combined revenue of more than A\$5bn.

Tatts' Chairman Harry Boon said the merger was based on "clear industrial logic" and a "strong and tangible synergy position" creating a stronger platform to compete with wagering competitors.

Recently Europe's top sportsbooks, including Paddy Power Betfair and Ladbrokes, have reported increased success in Australia, which has reportedly prompted the move from the

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Australian firms in an attempt to hold on to their market share.

Ladbrokes refrained from commenting directly on the merger, but reiterated to *Gambling Insider* that its Q3 figures give strength to support its view that it's getting things right in Australia.

It is expected that the deal will create \$130m in synergies which could lead to significant financial returns to the three-code industry. After the deregulation of gambling licences in Aus, the influx of competition saw profits fall for both firms.

Speaking to *Gambling Insider*, Tabcorp CEO David Attenborough said: "The transaction will create a strong and diversified gambling entertainment business that's well-placed to innovate, invest and compete in a rapidly evolving market.

"It will provide a wide range of benefits for our stakeholders, contributing at least \$50m per annum in additional funding to the Australian racing industry and providing a pathway to deeper, more liquid wagering pools nationally.

"It's an extremely positive outcome for shareholders of both companies who will

see meaningful value accretion from at least \$130 million per annum in EBITDA synergies and business improvements that we expect to achieve net of the benefits to the racing industry.

"It will also be great for our customers as we provide these deeper wagering pools and strengthen our capacity to invest in exciting new products, best-in-class digital and improved in-venue experiences across the wagering, lotteries, Keno and gaming businesses."

Integrating the two companies is expected to take two years, across wagering, gaming, lotteries and broadcasting.

KEY POINTS

- Australian operators Tabcorp and Tatts have announced the terms of their proposed merger
- The merger comes as major bookmakers including Ladbrokes and Paddy Power Betfair report mounting success in Australia

FINANCIAL

NETBET IS FIRST UK LICENSED OPERATOR TO ACCEPT BITCOIN

The operator joins Microsoft and Dell in accepting the currency

Netbet has announced it will now accept Bitcoin stakes on their sportsbook and casino i-gaming products.

The UK i-gaming operator has become the first licensed operator in the UK to allow the virtual currency. Netbet customers will now have the option to use Bitcoin to bolster their accounts through the Neteller and Paysafe payment operators.

Bitcoin has developed into a more mainstream currency recently after its value hit a two year high and has been adopted by major retailers such as Expedia, Microsoft, Virgin Galactic and Dell.

Alexandre Mangaud, NetBet spokesman, said: "We have been looking at digital currencies for some time now; it has a growing user-base and was something we wanted to offer our customers.

"Since Bitcoin is new to the regulated gambling industry in Europe, we've worked closely with our payment processing partners to ensure that the addition of this new payment method meets the UK Gambling Commission regulatory requirements."

LEGAL**CROWN RESORTS EMPLOYEES
ARRESTED IN CHINA****The 18 detained could face
up to ten years in jail**

Crown Resorts has been unable to contact a number of its employees in China, after being made aware they were taken away for questioning and detained three days ago.

The 18 employees of Crown Resorts detained in China face between three and ten years in jail if charged with promoting gambling on the mainland. Casinos are not legally allowed to advertise in mainland China, but operators have skirted around the issue by promoting resorts where casinos are located.

Beijing launched a highly publicised crackdown in February last year, through the Public Security Bureau, saying it would focus on casino operators from neighbouring countries that had set up offices on the mainland.

In a statement on Sunday, a Crown spokesperson said: "Crown believes that Jason O'Connor, the head of Crown's VIP

International team, is one of 18 Crown employees being questioned by Chinese authorities. To date, Crown has not been able to speak with our employees and is working closely with DFAT to urgently make contact and ascertain their welfare.

M&A**WILLIAM HILL AND AMAYA
MERGER TALKS END****Potential merger slammed
by Hills' largest shareholder**

William Hill and Amaya have put an end to talks over a potential £4.5bn merger. The pair announced a possible "merger of equals" earlier this month, but Hills has confirmed these discussions have ended.

Releasing an update on the discussions, William Hill stated: "After canvassing views from a number of William Hill's major shareholders, the board has decided that it will not pursue discussions with Amaya."

Divyesh Gadhia, Chairman of Amaya, said: "Together with our financial advisors, we evaluated a wide range of strategic alternatives to maximise shareholder value and have concluded that remaining an

independent company is in the best interest of Amaya's shareholders at this time."

The potential merger took significant criticism last week from Parvus Asset Management, William Hill's largest shareholder. The firm's co-founders, Mads Eg Gensmann and Edoardo Mercadante, wrote in an open letter that the merger had "limited strategic logic and would destroy shareholder value".

A point of contention highlighted by Gensmann and Mercadante was their assessment that i-poker is a "mature, if not structurally declining revenue stream", which they saw as a major issue given Amaya's ownership of PokerStars.

Amaya's VP of Corporate Comms Eric Hollreiser, retorted: "Amaya believes online poker remains very attractive for its business as we maintain significant competitive advantage through the network effect of approximately 2.4m quarterly active unique players on our platform."

"It is simply not true to say that poker is a mature or declining market based upon certain public data which under-reports the size and growth of the poker market."



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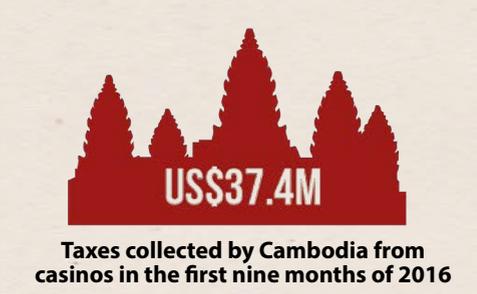
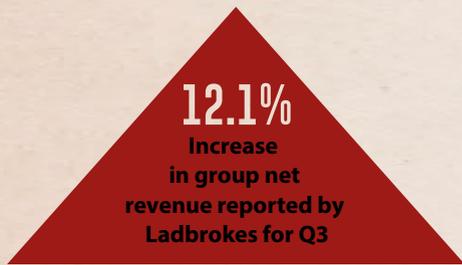
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THIS WEEK IN NUMBERS

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



GUEST COLUMNIST

WHY SUPPORTING EMPLOYEES WORKS IN GAMING

By Amir Obralić

Marketing Manager, NSoft

"No rules" is the only rule at NSoft. No mandatory working hours, no sick days or pre-set number of days off. "The office" is open 24/7. Recipe for chaos, or for success? The facts speak for themselves. Established in 2008, NSoft has grown from a development office with two employees, to an exceptional gaming and betting software development company with more than 160 people focusing on innovation.

Why quotation marks with the word "The office"? Actually, there are no offices at NSoft. No cubicles, and nobody has their own office regardless of their job position.

In combination with the no-rules-system, the open space offers multiple benefits to employees. Developers have the freedom to create their own teams and develop a product, without any instructions given by the management. Once they finish the project they have been assigned to, and are free to do whatever they want with their time – work on another project, play table tennis, go home, spend time in the company's café, or simply relax.

The freedom to be innovative and creative, as well as the trust and mutual respect that exists between the employer and employees, is the main reason we have come this far. That culture is what makes NSoft so different.

Imagine you come to work today at 10 a.m., then go to the city centre to take care of some personal things at 1 pm. You come back at 2 pm and continue working until 6 p.m, at which time you go to the gym. You feel too tired to go back to work, and decide to head home. The next day you are at work at 7am feeling very energetic about finishing all your tasks, and stay at

the company until 5pm. All of a sudden, a colleague asks you to go to a concert 300 km away. You take a company car, intended for such an occasion. You hit the road, come back way too late that night and decide to stay at home the next day to get some rest, so that you can work hard the day after. All you have to do is send an email, or chat message saying: "I'm not coming in today". That is only a glimpse of how the days at NSoft look when your job responsibilities allow you to be flexible.

It hasn't always been like this. We have tried implementing many different systems until we reached this point. From standard eight hour working days with one 30 minute break, we moved to having flexible working hours where you could start your day any time from 7-10am. After that we experimented with the Swedish model of only having six working hours. All of this was done to track the efficiency of each system through motivational variables, the success of each project and the overall contentment of the employees. Finally we decided to go for full work flexibility, where the employees can enjoy more freedom while doing stressful jobs. We now have people that only work four days a week, some do standard business hours, and some go by the above mentioned example. There are no standard limitations and everyone can be efficient based on their preferences, private life and habits, employees just need to make sure it won't influence the execution of the project nor the work of the team or the department they belong to.

Given the fact that our employee numbers are growing every day, getting to know each other and staying tight as one big family has become a real job. That is why we pay a lot of attention to team buildings for the entire SPARK Group. Each month all 200+ employees gather for a meeting and breakfast. We also plan various activities and

trips. We all went together on a summer vacation and spent some memorable time on the Adriatic shore enjoying the sea, the sun, and each other's company.

Another activity employees love is our "Dinner for six" offer, where each month we randomly pick six employees to have dinner out at NSoft's expense. This way those lucky people get to have a great opportunity to mingle, exchange different opinions, experiences and ideas.

Something else worth mentioning is the pride of every NSoftener, the charity organisation NOKT. NOKT was born on the employees' initiative. It funds itself primarily with employees' donations and has been kept alive for three years thanks to the benevolence and kind hearts of the volunteers that help those in need. NOKT has donated medical equipment, organised charity events, and visited nursing homes, orphanages, schools, and rehabilitation facilities, leaving countless smiles..

Why do we do this? We want to be different and strive to be an example to every other company to show how employees should be treated. Youth unemployment is close to 60% in Bosnia and Herzegovina. Our approach is not that different from many IT companies in the rest of the world, but in our own country it is radical. This is why we created an environment where innovation flourishes.

Just because you are at your desk for eight hours does not mean you are being productive. People must be able to breathe and feel as little pressure as possible. Content and motivated employees are undeniably more productive and relaxed which is why these kinds of surroundings create an additional boost and dedication to completing the work and delivering the best possible results.

Amir Obralić is the marketing manager of NSoft

OUT NOW: The September issue of *Gambling Insider* is out now. 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

