



WEEK 46

FRIDAY 11 NOV 2016

THIS WEEK

- The impact of the Trump win on betting operators
- North Jersey casino referendum result revealed
- Paddy Power Betfair Q3 results published
- Guest column: Mark McKeown, Betsoft

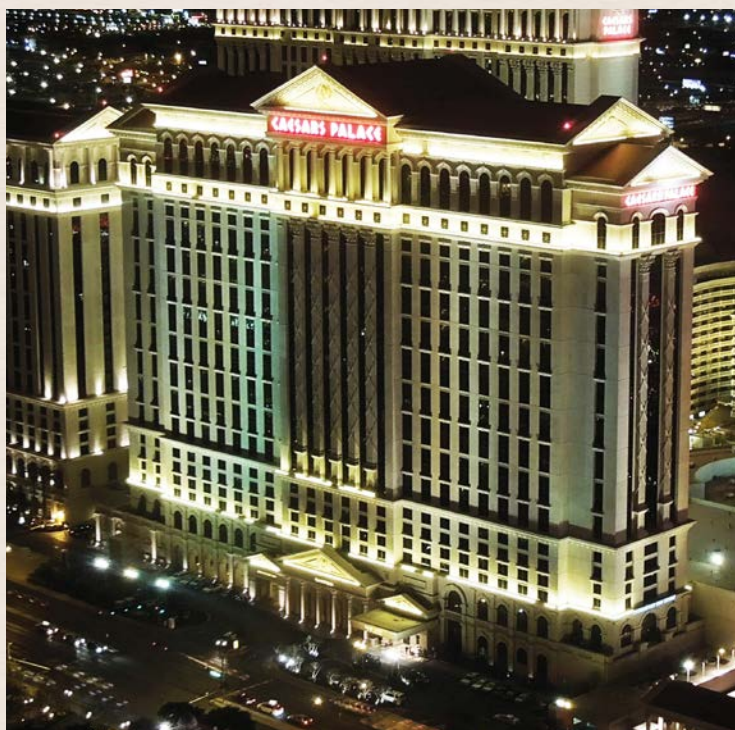
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TOP STORY

CAESARS ENTERTAINMENT Q3 REVENUE UP 3%

Bankruptcy case of Caesars' operating unit, CEO, continues to rumble on



Casino operator Caesars Entertainment Corporation released its third quarter financial results, ending 30 September 2016, on Monday. The results did not include revenue from Caesars Entertainment Operating Company (CEO) or its subsidiaries.

CEO filed for reorganisation under Chapter 11 bankruptcy in January 2015. A restructuring plan was agreed upon with creditors in October 2016 which should conclude the bankruptcy case in 2017.

After a \$2bn second quarter loss, Caesars managed to gain net revenue of \$986m in the third quarter, a 3% year-on-year increase. This was credited to the company's Las Vegas market, which is their largest, performing strongly. Poor performance in the Atlantic City and New Orleans markets dampened the effect and casino revenue amounted to \$542m for the quarter.

Property EBITDA was announced as \$287m, a 9.5% year-on-year rise for the same period. The growth was attributed to increased revenue and efficiency initiatives. Mark Frissora, President and Chief Executive Officer of Caesars Entertainment commented: "We achieved another solid quarter of performance, with a 3 percent increase in revenues paced by strong results in Las Vegas, our largest market."

"We also continued to expand margins, a testament to the progress we have made to manage **CONTINUED ON NEXT PAGE** ▶



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costs effectively while delivering enhanced customer service. Going forward, we remain focused on driving a balanced agenda of revenue growth and productivity gains to increase margins and cash flow. Our progress year to date gives us confidence that we are on the right path as we strive to maximize value for our stakeholders."

KEY POINTS

- Caesars Entertainment net revenue rises to \$986m for Q3
- The operator suffered a \$44m loss, compared to a profit of \$84m in 2015
- CEO Frissora hails efficient cost management and enhanced customer service

FINANCIAL

PADDY POWER BETFAIR REPORTS SUCCESSFUL Q3

Operator raises its full-year profit guidance

Releasing its trading update for Q3 2016, Paddy Power Betfair has reported a 25% increase in y-o-y revenue, rising to £404m.

The group linked this increase to growth in sports betting, with a 26% increase in sportsbook stakes contributed to by a strong conclusion to UEFA Euro 2016.

Online revenue climbed to £222m, an increase of 20%, while the group's revenue in Australia grew by 21%, to a total of £82m.

Total net revenue for the group's retail division stands at £76m for Q3, a year-on-year rise of 19%.

Underlying EBITDA was reported at £113m, representing growth of 53% compared to the same period in 2015.

Breon Corcoran, Chief Executive of Paddy Power Betfair, said: "This was another good quarter for Paddy Power Betfair. We are continuing to focus on building a stronger combined operation by exploiting the unique assets and capabilities of each legacy business, and on using our scale to better serve our customers.

"Work is underway to combine the best of Betfair and Paddy Power's technology into a multi-brand, multi-channel, multi-jurisdictional platform that will start to unlock the potential of the group's scale and will lead to increased pace of development and faster roll out of new products."

SPORTS BETTING

TRUMP'S ELECTION WIN HITS SPORTS-BETTING OPERATORS

The Republican nominee triumphed over Hillary Clinton in Tuesday's election

According to bookmakers William Hill and Ladbrokes, Donald Trump's victory is set to complete "the biggest upset in political betting history" after it was announced that the Republican candidate has been elected the 45th President of the United States.

For the most part, the Trump victory was a blow to bookmakers. In terms of bets placed, the US election mirrored Brexit in an indisputable fashion. Typically, the larger money was staked on Clinton but there was a higher volume of bets on Trump.

William Hill took £4m on the outcome of the US Election – a record total for any political betting event. A spokesperson for the betting operator says: "This campaign absolutely decimated all previous political betting records and shows what a popular betting subject politics is."

Paddy Power has been left to count the cost of its decision to pay out over \$1m early to its customers who backed Hilary Clinton. As well as this, the result stung the

betting operator for its biggest political payout ever, paying \$4.5m to customers who backed Trump.

Paddy Power spokesperson, Féilim Mac An Iomaire said: "We're in the business of making predictions and decided to put our neck on the line by paying out early on Hillary Clinton, but boy did we get it wrong."

Bookmaker Betway is also reporting multiple pay-outs of hundreds of thousands at big odds. This blow comes after earlier reports suggesting the Trump win could be a worse result for bookmakers than Brexit and Leicester winning the league.

A spokesperson for Betway, Alan Alger says: "Our odds fell in line with the polls, keeping Clinton short and luring in just a fistful of big stakes on the Democrat. We were happy to lay the tens and hundreds on Trump at juicy odds and that has hit us hard. Those who went against the experts have collected handsomely."

Trump was initially chalked up at 150/1 when he first declared his candidacy, smashing Jeremy Corbyn's accolade, who once was the 100/1 outsider to become Labour party leader.

However, not all bookmakers have proved unsuccessful; with Sporting Index reporting Donald Trump's win could set to result in a six figure profit for the spread betting company.

Political trading spokesman for Sporting Index, Ed Fulton comments: "The most divisive election in history has also proved to be one of the most volatile. While many expected Hillary to walk away with the keys to the White House, we were happy to take her on and that has paid off."

US CASINOS
NORTH JERSEY CASINO EXPANSION REJECTED BY VOTERS

More than 78% voted proposal down
 New Jersey voters were united on Tuesday in rejecting the proposal to build two more casinos in the state.

Voters chose not to allow new casinos to be developed by more than 1.5m votes. It is the largest defeat margin for any referendum in the history of the state.

Bill Cortese, executive director of Trenton's Bad Bet, a Newark-based group that campaigned against the referendum,

said: "We are glad to see the overwhelming support across New Jersey opposing casino expansion. We attribute our success to a broad coalition of community leaders, unions, small businesses and residents who are convinced that North Jersey casinos would be a detriment to the entire state."

The men who funded pro-casino development group, Our Turn NJ, Reebok CEO Paul Fireman and developer Jeff Gural, commented: "We are disappointed but not surprised by tonight's result... the people of New Jersey were unhappy with the lack of details on this issue."

Atlantic City's struggles were a key factor in preventing the expansion, as casino officials from the city had said that the expansion could have resulted in 20,000 to 30,000 more people out of work as business left struggling casinos. Resorts Hotel Casino owner, Morris Bailey, said: "Today's vote is an important step for Atlantic City's return to becoming a world class resort. On behalf of the 30,000 employees and their families that rely on the Atlantic City casino industry, we are gratified by the overwhelming defeat of this initiative".

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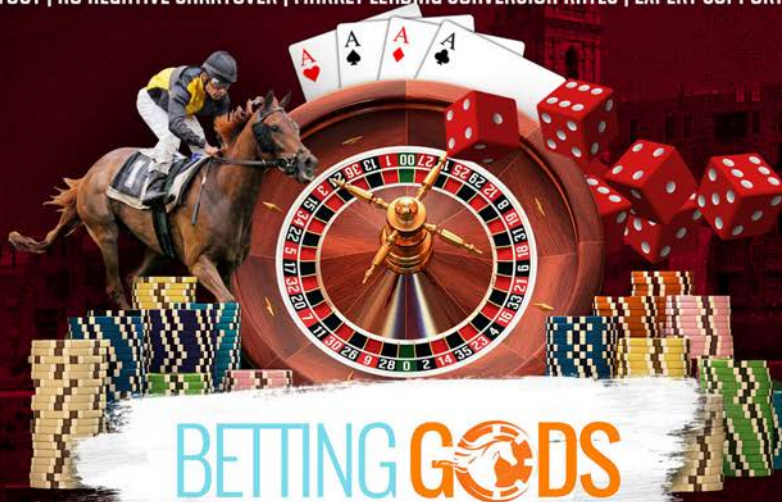
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THIS WEEK IN NUMBERS

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



Gaming Innovation Group's Q3 year-on-year revenue increase

10,000,000

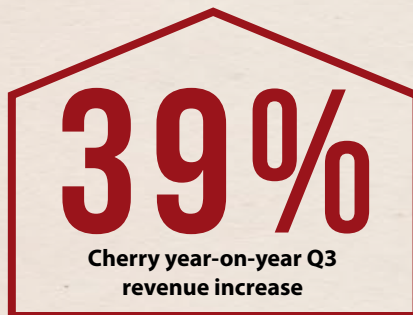
Individual bets Tabcorp took at the 10-race Melbourne Cup meeting



Number of delegates expected at the Summit of iGaming Malta next week



Reported value of Betfair trades on its "Next President" market



Cherry year-on-year Q3 revenue increase



Bet-at-home gross gaming revenue increase in 2016 €100.4m

3,960

VLT cabinets Inspired Gaming Group will provide across the OPAP retail network in 2017



Amount one punter placed on Hillary Clinton to win the US Presidential election with William Hill



Value of William Hill's four-year deal to sponsor ITV Racing



Number of different sports offered by the new sportsbook launched by Digitan partnered with Tipp1

GUEST COLUMNIST

"ASIA IS GOING TO BE THE DOMINANT MARKET IN ONLINE GAMING"

By Mark McKeown
Director, Sales & Marketing,
Betsoft Gaming

Why is the Macao Gaming Show important for Betsoft?

Over the past three years Betsoft Gaming has actively targeted the Asian market and its huge player base as the key developing market for its games. Although the Macao Gaming Show still has a large land-based presence, we did some really important deals at the show in 2014 which set us on our way in the Asian market and over the past two years we have quadrupled our customer base in Asia.

People often ask me if the recent land-based downturn in Macao has hurt our business and I say no, quite the opposite. I think many of those players that may not be coming to Macao to play at the tables are now playing online so the downturn is actually helping businesses like Betsoft.

Should more western suppliers be prioritising the Asian market?

I think possibly a few years ago Asia could have been regarded as a "best kept secret", but no longer. Although it is still some distance behind the more mature European market, the Asian market has emerged now and is highly competitive. In order to compete you have to excellent product and the right people with the right approach, attitude and work ethic to succeed there. These are key pillars that Betsoft has built in the Asian market and it has led to our success there.

I have the opportunity to work and travel to Asia quite a bit during the course of the year and it strikes me each time how many Europeans are working in the marketplace employing the skills and learnings that they developed in Europe. It is only a matter of time, based upon the size of the audience in Asia, before it becomes the dominant market in online gaming, if it's not there already.

Are there any new products that you will be launching at the show?

2017 is going to be a very exciting year for Betsoft. At MGS, we are announcing the rollout of our new Shift platform. It's a unified HTML5 platform that takes all of the expertise we've accumulated while developing our industry-leading ToGo mobile platform, and unleashing it on the desktop, where we can take advantage of its superior performance and capabilities. Throughout 2017 we'll be rolling out new titles developed on this platform, while also porting back-catalogue releases simultaneously. As Flash continues to be phased out, our clients will be in a solid position for the future with a platform that offers them better security, more compatibility, optimised performance, even faster loading times and ease of deployment. The Shift Platform is a big step forward for Betsoft and its partners.

What business are you looking to conduct at the show?

MGS has grown from being a purely sales focussed show for us to giving us the opportunity to catch up with our clients and talk to them about their upcoming requirements and ensure they are included in our roadmap for the coming year. It is nice to have the opportunity to speak with them away from an office environment where we can be more informal. I think it helps to get things moving.

Is exhibiting in Asia different from exhibiting in Europe?

The only possible difference I see is a new excitement about online gaming in Asia from the people there based upon it being closer to the start of the upward curve, but it is the same questions and issues arising which, based upon the experience we have in our business, we are well placed to answer and deal with.

Is there a language barrier at the show that hinders western suppliers?

Language barrier is definitely at times an issue and that is why we have grown our team to include local professionals who can speak with our clients in local language. Since we have taken that step it has led to a significant increase in our volumes in Asia. Before we had made that move it was definitely quieter on our stand. I think you will see a very busy atmosphere and vibe on Stand AM-31 if you drop by to see us next week.

What is your overall outlook for the Asian gaming market?

Asia continues to be the hot market, and we don't see that trend slowing down any time soon. Betsoft has received an amazingly positive reception in Asia. We've paid very close attention to the demographics and tastes of the market, and we've developed some really popular titles designed with these markets in mind, such as Great 88 and 4 Seasons, and they are doing amazingly well there. We will be rolling out Kawaii Kitty at the MGS show.

Mark McKeown has extensive experience at senior executive level in digital interactive product development, marketing, business development and operations across all platforms. Mark is a firm believer in the power of cross-platform communications to enable deeper and more profitable relationships between brands and its consumers

OUT NOW: Look out for the November issue of *Gambling Insider*, which is out now. We ask many of the most influential leaders in gaming to tell us the trends, technologies, innovations and regulations that will have the biggest impact on the gaming industry in 2017

