



WEEK 47

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THIS WEEK

- AGA optimistic on working with Trump
- China release single Crown Resorts employee
- Australia tightens online gambling laws
- Guest column: David Chang, Betscad

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TOP STORY

AMAYA EX-CHIEF EXEC BIDS FOR CONTROL

David Baazov is committed to leading and supporting the Montreal-based company



Former Chief Executive and co-founder of Amaya, David Baazov, has offered to buy the Canadian online gambling company for C\$3.48bn. The company claimed that its board would consider the offer in a written statement.

Baazov, who already owns about 17.2% of Amaya, expressed his intent to take-over the company in February, and has now made a C\$24-per-share offer, which represents a premium of 30.9% to Amaya's Friday closing price of C\$18.34.

The equity portion of the deal would be \$4.1 billion and will be mostly financed by four funds, which have committed \$3.65 billion and Baazov's shares. The entity which will purchase Amaya and be led by Baazov, is yet to be formed.

"I am proud of my contributions in building Amaya into the successful company it is today, and continue to be supportive of its strategy and management," Baazov said in a statement on Friday morning.

Following an investigation back in February, Baazov was charged with insider trading by Quebec's securities regulator, for trading in Amaya's stock before the \$4.9 billion acquisition of Rational Group, and the company announced that he had taken an indefinite paid leave of absence. Baazov resigned from his position at Amaya in August.

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Amaya promised to pay \$200m of the \$400m deferred purchase price for the acquisition of the Rational Group in 2014, by approximately November 18. Baazov claimed that the to-be-formed entity will set aside \$200m until its acquisition of Amaya goes through. Baazov stated that the entity will release funds in advance if the deferred payment is due before the deal closes.

Amaya, owner of PokerStars and Full Tilt, and British bookmaker William Hill ended merger talks early this autumn. Yet Amaya reported a third-quarter profit which was a lot better than anticipated, and increased its full-year adjusted share forecast to \$1.78-\$1.83 from \$1.71-\$1.82. Amaya's total revenue increased by 9.5% to \$270.8m from \$247.m, and customer registrations rose by 1.9 million to approximately 105.5 million in the quarter.

KEY POINTS

- Four funds have committed \$3.65 billion to the acquisition.
- Baazov will set aside \$200 million to pay for Amaya's deferred purchase of Rational Group.

- Amaya's Toronto-listed stock rose as much as 18.27% in morning trading.

LEGAL & REGULATORY AGA OPTIMISTIC ABOUT WORKING WITH TRUMP ADMINISTRATION

Geoff Freeman is confident that Donald Trump's Presidency will give rise to new opportunities for the gambling industry

American Gaming Association President and CEO, Geoff Freeman, released a formal statement outlining the industry body's objectives on working with the Donald Trump administration.

Freeman marks Trump's Presidency as "the dawning of a new era in Congress", as the AGA will "promote favourable public policies and block overzealous federal efforts that add unnecessary costs and inefficiencies to our businesses.

"The gaming industry is well positioned to thrive in this new environment because of the important steps we have taken over the last several years to unify around issues of common cause, work collaboratively with government officials and highlight our enormous local

economic and social contributions to develop Congressional champions."

Speculation surrounds the notion whether Trump would oppose online gaming expansion due to his acceptance of major campaign funding from Sheldon Adelson, a vocal opponent of online gambling.

Nonetheless, Freeman remains optimistic that the Trump administration will be "significantly more restrained federal agencies than what our industry (and many others) experienced over the last eight years".

ASIA CASINOS

CHINA RELEASE CROWN RESORTS EMPLOYEE

Crown Resorts administrator released on bail

One of the 18 employees of Crown Resorts who were arrested by the Chinese government in October has been released from detention. Jenny Jiang, who worked in administration for the gaming company in Shanghai and was arrested on suspicion of illicit gambling-related activities, has been released on bail.

There have been no reports concerning the remaining employees, three of whom are Australian nationals, including Jason O'Connor, Crown's Head of International VIP Business. According to Australian government officials, China has approximately one week remaining to charge the employees, who were first detained on 14 October.

As part of an anticorruption drive, President Xi Jinping has led the crackdown on gambling by Chinese government officials outside China and the promotion of gambling on mainland China.

LEGAL & REGULATORY

AUSTRALIA CRACKS DOWN ON ONLINE GAMBLING OPERATIONS

Human Services Minister advocates 'tougher laws' on online gambling

Australia's federal government has implemented new legislation that will require online gaming operators active in the country to acquire local licences lest they face hefty fines, after a review made it clear that a number of gambling groups were using loopholes to get

around the restrictions on live betting online.

The revamp includes banning these in-play apps, cracking down on internationally licensed online operators and establishing a National Consumer Protection Framework. The Australian Communications and Media Authority will also impose civil penalties up to AUD\$1.35m per day for individuals and up to AUD\$6.75m for companies.

Alan Tudge, Human Services Minister, comments: "Currently hundreds of illegal gambling services are easily accessible on the internet and we know that people are more likely to get into trouble online. We expect online wagering providers to meet community expectations; the tougher laws will seriously disrupt illegal offshore providers from acting unscrupulously or targeting vulnerable Australians."

LEGAL & REGULATORY

COMMISSION CHIEF URGES OPERATORS TO FOCUS ON CUSTOMER WELFARE

Importance of customer care stressed at Raising Standards Conference

Sarah Harrison, The Gambling Commission Chief Executive, told gambling operators that it is vital that they begin "accelerating the pace" at which they put their customers' welfare into account upon making business decisions.

In her speech at the Raising Standards Conference in Birmingham, Harrison said: "You need to raise your ambitions and your sights higher. You need to step up the pace of change – in how you handle customer complaints; ensure advertising is clear; simplify terms and conditions; develop your risk management strategies on money laundering; evaluate the impact of social responsibility initiatives – and, working across all these areas, in how you do more to share best practice."

Harrison also announced that GC's new enforcement policy will be implemented by April 1, 2017: "We will propose changes to our statement on financial penalties with the likelihood of higher penalties going forward, in particular where we see systemic and repeated failings."

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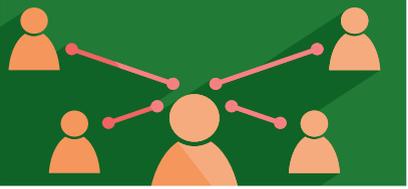
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EVENTS

Our selection of the best conference and exhibitions



THIS WEEK IN NUMBERS

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

\$3BN



Amount Brazil could gain in casino tax revenue if they pass regulated online gambling bill.

\$420M

Price at which Genting Singapore Plc sold its interest in Callisto Business Limited.

300%

Increase on the last two years that the UKGC has received in complaints over the last 12 months.



\$3M-\$4M

Tiverton's predicted annual income from new casino.



427%

Yggdrasil's Q3 wgrowth in player numbers.

309%

NYX Gaming Group's year-on-year Q3 revenue increase.

£500,000

Maximum fine for operators who fail to comply with ICO's personal information policy.

299%

Yggdrasil Gaming's Q3 revenue growth.

£260-280M

William Hill's expected operating profits for 2016.



\$50-70M

Twin River's estimated revenue from upcoming Tiverton casino.

GUEST COLUMNIST

WHY THE GAMBLING INDUSTRY NEEDS ITS OWN APP STORE



By David Chang
Founder & CEO,
Betcade

In 2009 the Apple Store hosted 5,000 apps. That number is now set to reach just over 2 million by the end of this year, 5 million in 2020 (for reference an estimated 2 million apps are now available on Google Play). 90% of apps on the App Store have very few downloads or none at all. With undiscovered apps at an all time high, there has been a lot of discussion around how to solve the discovery problem in the app stores.

The problem with discovery is due not only the number of apps, but also to the lack of opportunity. Even successful apps fall victim to a crowded marketplace. For example, a game can receive thousands of downloads at launch but not crack the bottom of the games list. App rankings don't fluctuate much and apps from the biggest publishers generally dominate. This means that the longer these app stores are in business the harder it becomes to have an app discovered organically (e.g. for free). This creates a vicious cycle where an app continually needs more and more marketing budget to get noticed.

The Apple App store is currently trying to address this discoverability issue through the introduction of search ads. The intentions are good in that at least 50% of apps that are downloaded are found through the search function in the Apple App Store and Google Play

today. Many attributes that contribute to search relevance (popularity, rating, # of downloads, recent download activity) can now be levelled by buying the ad space to be at the top of a search result.

If you are a new brand, this does provide a lever to get your apps noticed. But operators will have to pay close attention otherwise they risk having competitors buy relevance at their expense. Overall, I would view this as a new challenge for the industry and believe it may increase the cost of user acquisition. Ultimately, the addition of this feature does not change the main issue that overall costs of getting your app noticed will continue to increase without a re-think on app discoverability.

Clearly the time is right for niche and specialty app stores.

There is a major trend in both on and offline retail away from big box and toward specialty stores. According to Harvard Business Review, "The appeal of the latter is an edited, or even curated, selection of goods targeted to specific customers who self-select into shopping at the store — and these smaller stores often provide superior, personalized service...As a whole, the specialty segment of retail is growing while most other sectors have been on the decline." We can expect that trend toward retail specialization to manifest on mobile platforms as well.

The other advantages of niche app stores are very complimentary to gambling, an industry with its own set of unique challenges. Trusted, branded specialty app stores will be more secure. Their focus and smaller scale allows greater attention to the content and a closer relationship with app providers which means there's not much chance for something bad to get through, something else we've seen a lot in the recent news around app stores. At Betcade, we personally know all of the

operators we are working with and we are only allowing licensed apps on the store.

Further, an app store targeted to a particular audience means greater efficiency and higher ROI: users are coming to that store because they are specifically interested in your apps. The narrower focus of a specialty app store also enables things like customer support teams with a deep knowledge of the industry, active promotional campaigns on the behalf of apps in the store, and a business model and user experience that are tailored to your consumers.

Millions of users worldwide are already downloading hundreds of millions of apps through third party app stores. We're seeing interesting uses of app stores in specialty categories like education, and for non-commercial uses such as local government and even NASA. As developers and publishers see greater returns from these app stores, their importance as an integral part of app distribution strategies will continue to grow.

David Chang founded Betcade, the first dedicated Android app store for real money gaming apps, with the goal of creating an ecosystem that benefits all stakeholders in the gaming industry.

David was formerly Head of Industry Relations at Gamblit Gaming, responsible for industry communication and outreach, and previously served as Gamblit's Chief Marketing Officer.

David has previously founded two games companies, both of which are still active today. Gamiker Inc., founded in 2012, is creating new real-money and social casino games in mobile and land-based environments. In 2009, David founded OnNet Europe GmbH, a leading online games company that was acquired in 2012 by Daum Communications.

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

