



WEEK 49

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THIS WEEK

- Ladbrokes Coral interested in Tabcorp acquisition
- Japan casino regulation back on the table
- Playtech BGT Sports appoints new CEO
- Guest column: Wailon Lee, Nolimit City

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TOP STORY

PLAYTECH FOUNDER OFFLOADS 12% STAKE

Teddy Sagi remains largest shareholder and "highly committed" to the company



Online gambling software outfit Playtech has announced its co-founder Teddy Sagi has sold 12% of his stake in the company, instead of the 10% originally planned, for £329m.

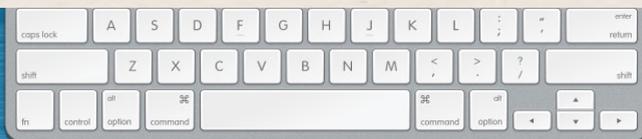
The company announced yesterday that Sagi's Brickington Trading had originally planned to sell around 32.2m shares, or an around 10% stake, via an accelerated book build through UBS Limited, Canaccord Genuity Limited and Credit Suisse Securities.

The offering size was increased by underwriters, led by UBS, following what they called "strong investor demand". Nonetheless, the large share block was sold at 850p, a 7.5% discount to Tuesday's closing share price of 919p.

Owned by Sagi, Brickington Trading Limited is still the largest shareholder in Playtech, even after offloading a total of 38.7 million ordinary shares.

Sagi, who founded Playtech in 1999, will remain the largest shareholder, holding approximately 21.6% in the company down from 33.6% before the sale. Brickington has also agreed not to sell any further shares in Playtech for a period of 180 days.

On Tuesday, business news sources reported that Sagi's reasoning behind the placing was to diversify the trust's investment portfolio, which includes multiple UK property investments, tech financing and personal ventures. According to Playtech, Brickington Trading and **CONTINUED ON NEXT PAGE ►**



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FROM FRONT PAGE ►

Sagi remain "highly committed" to Playtech.

Playtech shares have traded extremely well over the past year, and are sitting near all-time highs.

KEY POINTS

- Brickington has sold 12% stake in Playtech
- The large share block was sold at 7.5%
- Teddy Sagi remains the largest shareholder in the company

SPORTS BETTING

LADBROKES CORAL SHOWING INTEREST IN ACQUIRING TABCORP

The newly merged enterprise is weighing up the possibility of a £2bn takeover

Ladbrokes Coral PLC, following the £2.3bn merger of Ladbrokes and Coral in November, is reported to be weighing up the possibility of a £2bn takeover of Australian operator Tapcorp Holdings.

In an attempt to expand its global presence, Ladbrokes Coral has allegedly employed advisors to study the potential acquisition and draw up a takeover bid. Any bid offered by Ladbrokes Coral PLC is likely to bring the planned AUS \$11bn (£6.6bn)

merger of Tabcorp and Australian market rival Tatts Group to a standstill.

Ladbrokes placed a bid for Tabcorp back in 2013, which was quickly rejected by CEO David Attenborough, and prior to its merger with Coral, for two years Ladbrokes leadership has continued to express their interest in the Australian betting market.

In October, Tabcorp and Tatts governance resumed merger talks, remaining confident that the merger will clear the Australian Competition and Consumer Commission review process. The merged entity would challenge international operators seeking to expand into the Australian market.

However, industry analysts have questioned whether a £2bn deal would deliver any substantial value for Tabcorp investors. Although Ladbrokes had emphasised interest in the Australian market prior to merging with Coral, many speculate whether a takeover bid at this moment in time may be a bit too much for the newly merged enterprise.

ASIA CASINOS

JAPAN REOPENS DEBATE TO LEGALISE CASINOS

Casinos may revive the country's stagnant economy

Talks concerning the regulation of casinos in Japan may be back on before the end of the year, although the road to legalisation is still filled with obstacles.

Shinzo Abe, Prime Minister of Japan, will need support from his Buddhist-backed coalition partner Komeito, a group of legislators whose ethical concerns on casinos have made them much more cautious about supporting the bill, and has yet to decide on whether to support it.

Those opposed to the legislation boycotted the discussion. Hiroyuki Hosoda, chairman of the ruling Liberal Democratic Party's general council and head of a bipartisan group of pro-casino lawmakers, informed parliament that the building of casinos would stimulate Japan's stagnant economy, commenting: "It's fundamental that the profits from casino facilities are returned to society."

Japan is capable of becoming one of the biggest Asian gambling destinations with potentially \$40 billion in annual casino revenue according to CLSA Ltd. Melco Crown Entertainment Ltd. CEO, Lawrence

Ho, comments: "The Japan legislation seems like it's finally going forward. I personally have been lobbying it for many, many years. We would be extremely interested and will definitely participate in it, if we are lucky to."

MOVERS & SHAKERS

ARMIN SAGEDER APPOINTED CEO OF PLAYTECH BGT SPORTS

Sageder deemed the "best person" to take the company to the next level

Playtech, has announced that Dr. Armin Sageder has been appointed CEO of Playtech BGT Sports. The new division brings together BGT, Geneity, Mobenga, Unilogic and Playtech's internal Sports Trading team, and contains more than 600 employees based in Nicosia, Malmö, Vienna, London, Bremen and Sofia.

Reporting to Mor Weizer, CEO of Playtech, Sageder will assume responsibility for all of Playtech BGT Sports' business and customer relations and establish and lead a team to manage the division. The new CEO not only founded the online payments company paysafecard, but also founded BGT in 2005. Earlier this year Sageder and his co-

shareholder sold the majority of their shares to Playtech, but remains a 10% shareholder of the Playtech BGT Sports division.

Sageder said: "I am very excited about the opportunity. When combining the BGT team spirit together with the extensive knowhow and knowledge of all the great talent that exists across Playtech, we have the opportunity to create a powerhouse for the benefit of our clients and their customers. By doing so we will continue to invest in our platforms, products, offering and services and will truly enhance customers' betting experience and maximize the benefits for our licensees."

LOTTERY

CYPRUS GOVERNMENT RECONSIDERING OPAP MONOPOLY AGREEMENT

EAS hopes to create a fair market for sports betting operators

The National Betting Authority (EAS) has begun its crackdown on some 2,500 unlicensed online betting/gambling services, deemed to be targeting national consumers. The EAS told MPs that they are planning to block any websites that offer

such games, as online casinos are forbidden in Cyprus.

The actions of the authority have been granted by the Cypriot Finance Committee, in the hope of creating fair market conditions for sports betting operators looking for a Cypriot licence application. The authority has warned all parties concerned that all wagering from Cypriot accounts must be stopped in order to comply with its licensing application process. As part of the bill, the committee also reviewed the interstate agreement with Greece which gives betting giant OPAP a monopoly on lottery number games in Cyprus.

OPAP has operated its services in Cyprus since 1969. Nonetheless, the betting giant has come under scrutiny following revelations earlier this year that the government is losing around €1m per month.

Under the existing agreement, OPAP pays some €10m in taxes, but now the Cypriot government wants OPAP to double its yearly fixed contribution, with an additional 20% tax on lottery gross profits.

THIS WEEK IN NUMBERS

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



26,500

Accounts have been accessed after Camelot National Lottery was hacked

12,000
Chinese citizens detained in the Philippines, accused of running illegal gambling operations



Increase reported by Stride Gaming in its year-on-year net gaming revenue



The number of local licensees in the Portuguese casino and poker market, after PokerStars was granted a licence this week

80% Stake divested by Intralot in its Peru operations, to NG Entertainment Peru

33%
Share of the UK gambling market taken up by i-gaming



A\$2.13BN

Revenue recorded by Aristocrat for the 12 months to September 30, up 34.5%



A\$50M

Purported size of a government lottery in Australia, which the nation's Olympic chief, John Coates, threw his support behind last week

GUEST COLUMNIST

THE RIGHT FORMULA



By Wailon Lee
Mathematical
Game Designer,
Nolimit City

When discussing a new slot, most people get excited by the theme; the stunning graphics, the atmospheric soundtrack, the characters, and animations that bring the game to life. These are key elements to the success of the slot, but so is the less sexy, but just as critical, maths model chugging away under the hood. And when it comes to selecting the blocks from which to build the maths formula, there are just as many headaches and hurdles to clear as with blockbuster visuals and orchestral soundtracks.

Before devising the math model for a new game I always remind myself of the two main reasons players play slots; the first is to win money and the second, and perhaps the most important, is to be entertained. The job of the maths model, then, is to inject enough fun and excitement into spinning the reels to ensure players keep chasing those elusive big wins. So what tools do developers have at their disposal, and what is the best combination of volatility and features to achieve this?

A balancing act

It depends on the player; they are all different and have different preferences. That is why some games have multiple features and some have none. It is why some pay out more frequently but lower amounts, and others pay out less frequently but higher amounts. It is all about variance, and ensuring the features

and volatility you build into your game keep your players engaged. It is very much a balancing act between having the right number of features coupled to the right volume and value of pay outs.

This, of course, is not as easy as it seems. A feature can have the same percentage of pay out to the player, but can vary drastically in how that pay out is delivered. The right feature can even offer a lower pay out on average, and still deliver on engagement and excitement. It is something of a minefield, and in order to navigate it successfully you need to have a very clear understanding of who your target player is, and what they want from a game. If not, you will be blown to pieces.

Know your players

As a player myself I know the features and level of volatility I want from a game; I prefer games with features geared towards higher variance, and therefore higher variance games in general. In essence, I like chasing that really big win and don't mind the odd loss along the way. So here at Nolimit City we segment players along a scale with low variance at one end and high variance at the other:

High variance: More risky players with a wider spread of wins. Wins may be less frequent or small, but the BIG wins are in there

Low variance: Geared towards casual players, and offer a narrower spread of wins. It's more about entertainment, and ensuring their balance lasts as long as possible

It is important to know your player from the inception of a game right the way through to the first time they hit the spin button and set the reels in motion. This understanding must act as a blueprint for your engine, and guide your decisions not

just on the math but the theme, design, and soundtrack used in the game.

Break it down

When it comes to the maths, it is about looking at the features at your disposal and choosing the ones that deliver the experience you want to create for your players. But then you need to break them down further, and tweak how they deliver pay outs and big wins. And no matter who you are building the game for – veterans or first-timers – the end result has to thrill.

To ensure our games are top-notch, we have a number of KPIs we consider from a pure maths perspective; KPIs in certain ranges direct the profile and the characteristics of the features and the overall game. By understanding the properties of each feature, we can slowly mould and balance the engine so that it fires on all cylinders. It is also important to consider how the maths model works with other elements of the game; and understand how they affect each other and the overall UX.

There comes a time when, on paper at least, you have the perfect maths model for your new game. But in reality, that is only just the start. You need to take the two dimensional numbers scribbled in your notepad, and turn them into a living, breathing, best-in-breed slot. Then, when you are done testing and are ready to launch, you have to hand it over to the players.

And, ultimately, it will be they who will judge whether you've got it right or not.

Wailon Le is a leading gaming industry mathematician, who joined Nolimit City in February 2016. He is also an expert in profitability analyses and holds a MSc in Engineering Mathematics from the Faculty of Engineering at Lunds University in Sweden

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

