



# WEEK 51

## FRIDAY 16 DEC 2016

### THIS WEEK

- Japan casino bill is finally pushed through
- GVC's Ladbrokes Coral bid falters
- Betfred completes refinancing
- Guest col: Peter Causley, Lightning Box Games

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#### TOP STORY

## CONSORTIUM OFFERS A\$7.3BN FOR TATTS

### A Macquaire-led group has prepared a counter-bid to rival Tabcorp's acquisition effort



A consortium including private equity firm KKR, Morgan Stanley Infrastructure and Macquaire Group Ltd has offered up to A\$7.3bn to buy Australian gaming operator Tatts Group, threatening a takeover deal from Tabcorp Holdings Ltd.

The proposed deal is worth between A\$4.40 and A\$5 per Tatts share, with the group planning to carve out Tatts' lottery offering and either sell or separately list Tatts' betting and gaming business.

The total indicative value per Tatts share of A\$4.40 to A\$5.00 comprised of A\$3.40 in cash; plus one share in Wagering & Gaming Co, which the Consortium values at \$1.00 to \$1.60 per share.

Tatts received the new proposal on the night of 13 December, having previously held talks with Macquaire group and its partners some months ago. In a statement, Tatts said it has yet to form a view on how the proposal compares with the Tabcorp offer that is currently valued around A\$6.03bn. However, it has been reported that two Tatts shareholders believe the new offer is a superior deal and could spark a bidding war with the entry of additional players.

In October, Tabcorp agreed to acquire Brisbane-based Tatts to form a gambling powerhouse in the hopes of fending off the  
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increasing number of competitors from overseas online rivals.

Tabcorp already has the state-based probity clearances required to buy Tatts, a fully funded bid, and an agreed deal, which means that Tabcorp remains ahead of Pacific Consortium in terms of both preparation and strength.

Nonetheless, this deal is uncertain after the recent offering from the Pacific Consortium. However, under the Pacific Consortium proposal, Tabcorp would still have a chance to pick up Tatts' wagering unit.

Charlie Green, director at Hunter Green Institutional Broking, which owns Tatts shares says: "The value of the lotteries business is starting to be recognised, it is not undeniably game-on in terms of an auction."

Managing director of activist investor Sandon Capital, which also owns Tatts shares, says that whilst the latest offer is a considerable improvement on Tabcorp's, it's unlikely to be the last

News of the proposed consortium offer sent shares in Tatts soaring by 8.5%, ending Tuesday at its highest level since 2007.

#### KEY POINTS

- KKR, Morgan Stanley and Macquaire offered A\$7.3bn for Tatts Group.
- Consortium offer undermines Tabcorp's A\$6.03bn offer to buy Tatts.
- Tatts is yet to comment on how the new proposal.

#### LEGAL AND REGULATORY

##### JAPAN'S 'CASINO BILL' HAS BEEN PASSED

**The passing of the 'integrated resorts' bill ends 15 years of political argument and clears the way for multi-billion dollar projects that combine high-stakes gambling with tourist resorts**

Japanese parliament passed a law today to legalise land-based casinos. Despite fierce objection from the Democratic Party, the Upper House approved the bill on Wednesday after it was pushed through the Lower House last week.

Pro-casino lawmakers promised to implement measures to prevent the increase of gambling addiction and money laundering following the announcement. Daiwa Research Institute estimated that the permitted casinos could generate nearly

\$10 billion in net profit annually.

However, casinos will not be in operation until at least 2022-23. New legislation will set out details on regulation, tax rates and dealing with social concerns such as gambling addiction and organized crime.

#### MERGERS AND ACQUISITIONS

##### LADBROKES CORAL SHARES FALL AS GVC ACQUISITION TALKS FAIL

**Despite the surprise surrounding the speculation of merger talks between Ladbrokes Coral and GVC, the former's shares fall when talks are called off**

Recently merged Ladbrokes Coral saw its shares drop 9% on Monday after news broke that the operator's discussions with online gambling group GVC Holdings had broken down.

Ladbrokes Coral shares increased steadily as speculation arose that a £3.2bn reverse takeover by GVC was being entertained. That trend was reversed upon the news that the talks had ended.

The merger would have been a surprise, given both companies recent restructuring programmes. However, there is a growing trend of consolidation in response to the

increased regulation and taxation that has affected industry operators over the past 12 months.

David Jennings, an analyst at Davy Research, commented to the Financial Times: "What we saw today with Ladbrokes was the unwinding of expectations on Friday. With so much focus on incoming legislation, scale is important. They'll do five months of heavy lifting to integrate, and then, after the regulatory review next year [at the end of March], you can start making a case for them becoming more active."

**FINANCIAL**

**BETFRED COMPLETES £195M REFINANCING**

**The bookmaker company has completed the refinancing package with a number of banking institutions**  
Betfred has successfully refinanced to help fund the purchase of 322 shops for £55m from Ladbrokes Coral as a result of the conditions placed by the Competition and Markets Authority for the latter's merger. The senior debt package has been provided by RBS, Barclays, Lloyds Bank and

Yorkshire Bank, with KPMG Debt Advisory consulting for the operator.

Betfred refinanced an existing debt package with this banking facility and grants the operator the financial power needed to complete the purchase.

Nicola Barr, Betfred financial director, comments: "It was great to have strong support from the local banking community to support the company in this significant transaction."

Nick Dodd, Partner and Head of Debt Advisory at KPMG in the UK, says: "Investment to develop a multi-channel offering and the in-shop experience for customers, particularly through the digitisation of outlets, is a real focus for established bookmakers as they respond to the challenge presented by online competitors."

"We expect to see more firms seek external funding to fuel their expansion and build on strong growth in the industry"

**INDUSTRY**

**BERLIN SET TO HOST BAC AND EiG IN 2017**

**Both BAC and EiG will once again take place in Berlin next October and November**

Following the success of previous events earlier this year, organisers of EiG and Berlin Affiliate Conference have confirmed that both events will again take place in Berlin, Germany.

EiG will take place from 30 October to 1 November. BAC will take place from November 1-4.

Head of Operations at iGaming Business, Shona O'Donnell, comments: "Affiliates and operators alike have consistently told us that the conference is one of the highlights of the gaming calendar, and we plan on making the 2017 event bigger and better than ever. With EiG remaining in Berlin too, we hope that the igaming industry can join us once again for a week in Berlin."

Rory Credland, Event Director for EiG adds: "EiG brings together key decision makers from the igaming industry from all across Europe – and with its central location and reputation as an innovation and tech hub, Berlin is the perfect location for the 2017 event."

**THIS WEEK IN NUMBERS**

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



**£11M**

The total price Gaming Nation has paid to acquire UK stadium betting service company BD Sport Group

**5,000**

Number of live sports events added to betting service Tain



**£3.2BN**

The rumoured value of Ladbrokes Coral in GVC's proposed bid

Cost of problem gambling to the UK Government, according to GambleAware

**£1.2BN**



Number of first time exhibitors announced to showcase at ICE 2017

**€280M**



Total value of the Cherry Group deal to acquire ComeOn, after it opted to purchase the final 51% of the company this week

**18%**

Fall in Paysafe Group shares following allegations of facilitating illegal betting in China

**£16.7M**

The total revenue produced from online gaming in New Jersey during the month of October



**€300M**

Revenue milestone passed by Lottoland following a "landmark year"

## GUEST COLUMNIST

## BLURRED LINES



**By Peter Causley**  
Managing  
director,  
Lightning  
Box Games

European online gambling operators have been dialling in on multi-channel over the past 12 months, and with some success. But those plying their trade in regulated i-gaming markets in the US – think Nevada, Delaware and New Jersey – have been perfecting the art since April 2012 when Ultimate Gaming became the first licensed site to deal a hand of poker over the internet.

New Jersey is leading the charge when it comes to multi-channel; under state gambling law online operators must join forces with a land-based casino in Atlantic City. This has thrown up challenges and opportunities in equal measure, but it has forced operators to embrace convergence from the get go.

The way operators in New Jersey – by far the largest i-gaming market in the US – approach multi-channel takes in all the standard elements; consistent branding, offering the same games off and online, and making loyalty and reward schemes run seamlessly across the digital and real worlds. So far, a lot of the focus has been on content, and ensuring players new to online gambling have access to the same games they would on the casino floor.

**Building trust**

Operators have been on a trust-building exercise with players in New Jersey, and Nevada and Delaware to a slightly lesser extent. The Unlawful Internet Gambling

Enforcement Act (UIEGA) and Black Friday did little to help the industry's reputation. Since New Jersey opened its digital doors back in November 2013, a lot of work has gone in to educating players that online casino and poker is now legal, and that i-gaming has a lot to offer them.

To that end, players venturing online for the first time want to wager with the brands they trust and on games they are familiar with. That's why the land-based operators such as Borgata, Golden Nugget, and Tropicana have claimed the lion's share of the market. But now the sector has found its feet and is more established, operators and suppliers are looking to up their game when it comes to offering players a multi-channel experience.

Resorts Casino has moved the needle in this regard; last year it opened a digital gaming lounge within the casino where customers can sign-up for an i-gaming account and play games via mobile and tablet devices. It is a great way of bridging the gap, of gently introducing customers to online. Plans for PokerStars building a live poker room within the casino are yet to materialise, but again show Resorts is taking multi-channel seriously.

**Time to play the game**

Resorts has clearly gone after multi-channel in a big way, but other operators can bolster their approach by simply adding new games, both on the casino floor and in their online portfolios. But to do that, they will need to work with the right suppliers, companies who understand the differences between real and digital play, and how to tweak and fettle games so they run seamlessly on both.

It is something here at Lightning Box Games we have been doing for a number of years now. We build our

slots with both land-based and online play in mind, and plan themes and mechanics based on what we know works on both channels. We also believe that testing new games in the retail space is a great way to know whether they will be a success online and what changes we need to make before rolling them out to a digital audience.

That is exactly what we have done with our latest online launch, Astro Cat. The game enjoyed phenomenal success in land based casinos in the US, particularly Cosmopolitan and Treasure Island in Las Vegas, before we flicked the switch online. And to make the game more appealing to online players, we built in our patented Reelfecta super reel to give players 16 chances to win on one reel, as well as a Mega Spin where all 16 positions are Wild. We're also live online and on land-based machines at Harrah's Atlantic City with our successful Chilli Gold game.

Ensuring game portfolios are packed full of the right games is just one way of improving the multi-channel experience offered to players. Operators on both sides of the pond are experimenting and pushing the boundaries in all kinds of ways – mobile, loyalty cards, new technologies such as VR. But in the near term at least, European firms would do well to look at what their stateside cousins are doing, and take note.

*Peter Causley is managing director of multi-channel slots designers Lightning Box Games, which he co-founded with David Little in 2004. The studio provides gaming content for land-based, online, and social operators. Prior to Lightning Box, he spent a decade at Aristocrat where, as Jackpot products marketing manager, he helped design a host of iconic games*

**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**

