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THIS WEEK

- **Illinois takes steps to legalise DFS betting**
- **Outsider costs bookies big at Grand National**
- **Gambling Commission reveals future plans**
- **Maryland casinos note significant revenue jump**
- **Guest Columnists:**
Ohad Narkis, PlayOJO
T. Trent Dang, VizExplorer

WEEK 15

FRIDAY 14 APR 2017

BREXIT FORCES 888 TO RE-ASSESS

Operator considers moving operations from Gibraltar to Malta



888 Holdings stated in a report that should Gibraltar be negatively impacted by the UK's exit from the European Union, the company will consider other alternatives, such as relocating its headquarters to Malta.

In its annual report, 888 stated that although it is keen to retain a presence on 'The Rock', the company may seek to relocate its main base to Malta, where the firm would be guaranteed free cross-border movement of people, goods, services and capital in a post-Brexit Europe.

888 Holdings were the first stakeholders in the industry to publicly view Brexit as a 'future risk' to its operations. The company detailed that Gibraltar's licensing remit remains 'unclear' regarding compliance with European gaming jurisdictions.

888 CEO Itai Frieberger outlined last month the importance of growth within European regulated markets as a key dynamic of 888's ongoing strategy and corporate value. This means that a Gibraltar Remote Gambling Licence may not be enough to fulfil 888's regulatory strategy, as certain EU member states could consider Gibraltarian regulatory provisions as ineligible once the UK leaves the European Union. ▶

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THIS WEEK IN NUMBERS



2018

Year by which the Ukrainian government has pledged to legalise gambling



Growth in revenue of Indian gaming for 2015, per Dr. Alan Meister's Indian Gaming Industry Report

Last January, the European Court of Justice ruled that the UK and Gibraltar should be considered as a 'single entity' in their freedom to provide business services. This makes it unlikely that the EU will provide any exemption for Gibraltar to access the EU common market.

888's 2016 annual report explains the position: "The proposed status of Gibraltar in relation to the United Kingdom as a result of Brexit is at present unclear.

"If 888 were to remain registered, licensed and operating in Gibraltar in these circumstances, its ability to rely on EU freedom of services/establishment principles in supplying its services within the EU will be limited."

The combination of Gibraltar's full membership to the EU and low corporate taxes, capped at 1%, have seen the independent territory become an operational home to more than 20 online betting companies, including; BetVictor, 32Red, GVC and 888 Holdings.

KEY POINTS

- Operator considering moving operations to Malta
- 888 views Brexit as a 'future risk'

- Growth in the European market is part of ongoing strategy

ILLINOIS CONSIDERS MOVE TO LEGALISE DFS

The Illinois General Assembly are reviewing legislation that seeks to legalise Daily Fantasy Sports

Online Daily Fantasy Sports betting could become a reality for the state of Illinois following the introduction of a new bill.

The Illinois General Assembly will consider the new legislation which intends to formalise the legal status of DFS, following a 2015 advisory opinion by Attorney General Lisa Madigan that Daily Fantasy Sports betting was illegal under state gambling law.

If passed, the bill would impose a minimum age of 21 on DFS betting, prohibit employees of the fantasy contest providers from playing and would require an annual independent audit to ensure providers are complying with these requirements.

Rep. Michael Zalewski, D-Riverside considered the legalisation to be a much-needed source of income for the state: "There's untapped tax revenue that would

A NEW GAMING UNIVERSE AWAITS ON ORION



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go into either schools or infrastructure or whatever the legislature deems appropriate, which we're not taking advantage of right now," he said. "We're in a state that's \$14 billion behind in paying its bills."

BAD DAY AT THE RACES FOR SCOTTISH BOOKMAKERS

Outside winner of the Grand National winner costs the bookies £5m

Bookmakers are expecting a £5m payout to Scottish punters after One For Arthur won the Grand National. The outsider was the second victory by a Scottish-trained horse, the last being in 1979. The bookies were hoping their success at Cheltenham Festival would continue, however, it seems the odds were not in their favour in 2017 for the Randox Health Grand National.

William Hill predicted a staggering £225m would be wagered on the biggest horse race of the year, expecting "the highest turnover levels on any weekend in history". Although William Hill reportedly took approximately £25m on the race, it added that it would most likely have to "give it all back".

Rupert Adams told BBC Scotland News: "We had expected this year's Grand National

to be a bit of a money-spinner for us. We won't know exactly how much we will be paying out until everyone has brought theirs slips in and we have paid out their money, but it looks like we have just about broken even – although we have lost significantly in Scotland.

"The problem is we won't get the money back because with the Grand National most people only make that one bet a year."

UKGC PUBLISHES LATEST BUSINESS PLAN

The body's strategy for 2017-18 looks towards the longer-term

The UK Gambling Commission has unveiled its business plan for 2017-18, while inviting industry members to weigh in on the regulator's longer-term strategy.

The business plan focuses on five priority areas, these being: to empower and protect consumers, to raise standards across all gambling sectors, to build partnerships and understanding, to ensure fair play on the National Lottery, and finally, to improve regulation.

Consumers, the industry and public bodies have been invited to contribute their views to help in shaping the GC's



Kambi's position in the Financial Times' ranking of Europe's fastest growing companies



\$54.6BN

Amount earned by the South Korean government from gambling in the last 15 years



The number of baccarat tables set to be featured at Imperial Pacific's new casino in Saipan



Date to which LeoVegas' deal to sponsor UKTV Gold's After Dark series runs

"three-year corporate strategy", with 5 May the closing date for submissions.

William Moyes, Chair of the Gambling Commission said: "By no means are we starting from scratch with our long term strategy, but we are calling on all our stakeholders to share their views about how we and our partners can have the greatest impact for consumers - who are at the heart of everything we do at the Commission.

"These highly valued contributions will help us to continue to improve how we deliver our core responsibilities. There is also a need to build and maintain consumer trust against the back drop of changing consumer behaviour.

"To do this, we wish to encourage the industry to be increasingly innovative to continue to keep gambling safe, fair and crime free."

MARYLAND CASINO REVENUE HITS NEW HEIGHTS

MGM helps Maryland's casinos set a revenue record in March

Maryland's casinos have set yet another revenue record in March with the market

growing around 20% year-on-year. Maryland Lottery and Gaming announced earlier this week that the state's six casinos raked in a record \$141.2m in gaming revenue during March.

The new record tops the previous high of \$133.5m set in December when MGM National Harbor debuted. The four-month old casino reclaimed the state's top revenue-producing spot during a record-breaking March for Maryland's six casinos.

Excluding MGM, state-wide casino revenue dropped by 8.1% to \$7.9m. However, taking into account MGM, the March total marks a 44.3% increase over the same month a year prior, when the five casinos pulled in \$97.9m. Hollywood Casino Perryville, Rocky Gap Casino Resort and Casino at Ocean Downs accounted for approximately \$7m, \$4.7m and \$4.67m respectively.

Furthermore, according to figures released by state gaming regulators, Maryland poker rooms took a total of \$3.88m in March. The figures for 2017 are only marginally better than the year prior, with 2016 taking \$3.24m in the same month.

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AC PROFITS RISE

Atlantic City casino operating profits rose 18.3% in the fourth quarter – another indication that the AC market continues to right-size with the closing of Trump Taj Mahal. The Golden Nugget led profit growth with a 169.9% surge.

Elsewhere, AC hotel occupancy averaged 80% in the quarter, while average rates were \$101.92. Full-year occupancy rose 0.7% to 81.5%.

Below is fourth quarter operating profit by property:

Casinos	Operating Profit (\$m)	Closing price:
Golden Nugget (Landry's)	\$4.418	+169.9
Bally AC (CZR)	\$5.651	+82.0
Tropicana AC (TPCA)	\$9.030	+33.7
Borgata (MGM/BYD)	\$54.428	+12.6
Harrah's (CZR)	\$24.467	+12.5
Resorts	\$2.307	+3.3
Caesars (CZR)	\$14.259	+0.2
Trump Taj Mahal	(\$2.124)	N/A
Industry total	\$116.018	+20.3%
Same store total	\$118.142	+18.3

Several gaming companies saw stocks hit 52-week closing highs this week.

Company	Closing High as of Wednesday
Boyd	\$22.23
Isle of Capri	\$26.85
Aristocrat	A\$19.25
Wynn Macau	HK\$17.68
Melco Resorts	\$20.01
SJM	HK\$7.44
MGM China	HK\$17.80
Pollard Banknote	C\$10.20
Pinnacle	\$19.74
MGM Growth Properties	\$27.92

GUEST COLUMNIST:



OHAD NARKIS

CO-FOUNDER OF PLAYOJO

A CHALLENGE TO THE ONLINE GAMBLING INDUSTRY

A UK Gambling Commission report published in March, entitled Complaints Processes in the Gambling Industry, reveals some troubling data.

A survey conducted by the UKGC in 2007 found that 61% of respondents who gambled felt that the industry was fair and could be trusted. In a new 2016 survey, only 38% of respondents agreed with that statement. Moreover, the UKGC said it had witnessed a 300% increase in contact from members of the public in two years, to a record 77,000 in 2016.

The paper finds general inadequacy within the gambling industry's complaints procedures, but that's just the tip of the iceberg.

The drop in people who believe the industry is fair and can be trusted over the last decade is stark, and highlights the urgency for operators to change public perception or face a regulatory clampdown that will halt growth and shackle innovation.

Customer complaints are varied, of course, but many relate to bonuses. Whether these are scarcely attainable match bonuses with punishing wagering requirements hidden deep within the small print, or "free bets" that turn out to be "free" only by the loosest definition of the word, people are feeling hoodwinked and alienated.

This explains the disparity in public perception over the past decade. Ten years ago, a dedicated bonus hunter could make a decent profit by signing up for offers at a multitude of online casinos and grinding out the house edge. All he needed was time, motivation and an understanding of the maths.

In those days hundreds of new casinos were desperately vying for customers in a crowded market and were prepared to offer far more liberal bonuses.

Promotions have got stingier, and profit more elusive, leaving the industry with an increasingly bad reputation. If the industry is to embrace change, as it must do to safeguard its future, bonuses would seem like a good place to start.

At PlayOJO, we propose to lead that charge and we dare the industry to follow our lead – before it's too late.

We've removed back-handed small print bonuses. Instead, we offer money back on every single bet, win or lose, via our OJOPlus rewards scheme.

The PlayOJO system is about rewarding players on the basis that their money really is their money. That means generous returns for players, paid directly and instantaneously back into their accounts, free for immediate withdrawal, and no casino wagering requirements on anything, ever. There are no restrictions on games either. Free spins, meanwhile, mean free, with inverted commas removed.

If we can do this, any operator can. We'll lay down the challenge right here. Help us build a braver, fairer industry, starting right now.

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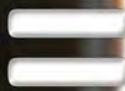


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GUEST COLUMNIST:



T. TRENT DANG

VIZEXPLORER'S INDUSTRY SPECIALIST DIRECTOR SHARES SOME VALUABLE IDEAS FOR SMALL AND MID-SIZED CASINOS IN THE POST-RECESSION ERA

OWN WHAT YOU CAN OWN

The gaming market has seen explosive growth in the last decade, especially in the small to mid-sized casino category (commonly known as the "mid-market"). The combination of explosive growth with post-recession thinking has left many of these mid-market operators wondering how to grow their casino revenues amid capital shortages, unqualified workforces, and intense competition from larger, more aggressive regional competitors. VizExplorer's extensive industry experience coupled with best practices gleaned from years of serving casino customers has shaped a piece of advice we often give cash-strapped mid-market operators: own what you can own. Too many times, operators try to live beyond their means when in reality, it's more helpful to realise that not every casino can be a flashy Strip operation. Here are two (of many) tips we often find ourselves sharing:

Make excellent service a cornerstone of your brand

Mid-market operators can't change their location and can't easily upgrade their facilities, but one thing every single operator can control is the level of service their team members provide. Despite personal perception of brands like Chick-Fil-A and Quik-Trip, there are good reasons these companies have such devoted consumers and strong balance sheets despite operating "just" a chicken restaurant or "just" a gas station. Both companies list excellent customer service as a core tenet and are fanatical about creating memorable customer experiences. The same can be true for casinos when management decides to implement exacting service models and hold themselves and their teams accountable. For example, one could easily introduce a policy that requires each employee to introduce themselves by name during every customer transaction. Employees

who don't adhere to the policy could find themselves facing progressive discipline.

Turn team members into brand champions

Mid-market operators often complain about how difficult it can be to find qualified employees. While that may be true, many fail to realise that small workforce investments can lead to high rates of employee satisfaction that reduces turnover and results in better hires and sometimes, increased revenues. At Chick-Fil-A, where many employees are students, the company provides small bonuses for good grades. Quick-Trip employees are rewarded with profit-sharing opportunities when the whole company does well. Since existing employees are often part of the hiring process, workforce investment tactics like these can generate valuable word-of-mouth advertising for open positions through current employees and instill a culture of good hiring practices. After all, no one wants a teammate who could negatively impact their bonus potential. We've seen similar examples in gaming of casinos investing in their employees to create a better culture that produces brand advocates among the ranks - from implementing frequent, attainable employee recognition programs to making small improvements to health benefits to place them above market average. We're sharing just a couple of best practices we've discovered over the years, and have several more to share with anyone who wants to discuss. If you have reached the end of this article with nothing else, know that there are always things within your control that can have a significant positive impact on your operations. Own what you can own.

T. Trent Dang is Industry Specialist Director at VizExplorer, a leading provider of operational intelligence solutions for casinos. He is an 18-year gaming industry veteran, having held senior positions in marketing, operations and IT in large Strip operations and smaller, high frequency properties for companies such as Caesars Entertainment, Penn National Gaming, Isle of Capri Casinos and Tropicana Entertainment.

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