



WEEK 17

FRIDAY 28 APR 2017

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THE START OF MACAU'S COMEBACK STORY

Macau enjoys an increase in visitors in addition to positive Q1 results

THIS WEEK

- **NYX trebles revenue in "transformational" year**
- **Pacific sweetens deal with dividends for Tatts**
- **Vietnam confirms Sun Group's casino rights**
- **Horse racing levy signed into law**
- **Guest Columnist: Peter Causley, Co-Founder, Lightning Box Games**



According to data released by the city's Statistics and Census Service, Macau saw a 5.6% year-on-year increase in the number of visitors, reaching approximately 7.87 million in the first quarter of 2017.

Visitors from mainland China amounted to 5.3 million, an increase of 7.6%, while South Korea saw an increase of 32% to 229,600 visitors, and Taiwanese visitors numbered 255,000, up 1.8% year-on-year.

Whilst the number of visitors attracted to Macau from Asia is generally on the rise, the number of arrivals from Australia, the UK and France all fell year-on-year in the first quarter.

Profits as well as visitor numbers are on the rise, with the Wynn Macau Ltd casino group reporting a significant 26.5% increase in net profits for the first



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EXPERIENCE IS EVERYTHING

THIS WEEK IN NUMBERS

40%



The proportion of UK males who have broken a household item in anger while watching football



\$3.39 BN

The figure won by non-tribal casinos from poker gamblers across the US in February



\$439.5M

The amount wagered in Nevada on basketball during March Madness



\$3.04BN

revenue generated by South Korean Lotto in 2016

\$40M



The costs of upcoming renovations to the Isleta Resort & Casino in Albuquerque, New Mexico

quarter of 2017. In unaudited results filed with the Hong Kong Stock Exchange, the group reported net profits of \$103.6m, compared with profits of \$81.9m for 2016.

This was largely driven by the addition of revenue from the recently opened Wynn Palace in Cotai, and masked a decrease in net revenue from the group's Wynn Macau casino, which was down 3.5% to \$587m in the first quarter of 2017.

Overall though, US parent company Wynn Resorts Limited net revenue rose dramatically from \$997.7m in the first quarter of 2016 to \$1.48bn in the same period in 2017, a rise of 47.9%.

Following the positive results, analysts have been raising their targets on Wynn resorts. Carlo Santarelli of Deutsche Bank raised his target \$22 to \$122, whilst Joe Greff of JP Morgan raised his target from \$102 to \$125.

Greff attributes Wynn Resorts' positive results due to its strong position in the VIP sector, with his earnings estimates rising to \$4.68 per-share this year and \$5.35 in 2018.

Analysts have said the first quarter points towards an upside in both Macau and Las Vegas and the encouraging results should give "investors no reason to rethink their bullish stance".

KEY POINTS

- Macau saw a 5.6% year-on-year increase in the number of visitors
- Wynn Macau Casino reported a 26.5% increase in net profits for the Q1 2017
- Following the positive Q1, analysts have raised their targets.

NYX REVENUE TREBLES IN 2016

2016 full-year report evident of a "transformational year"

NYX Gaming Group announced revenue growth of 213% in its full-year report for 2016, climbing a total of \$163.7m. The company grew at a rate of 46.8% when discounting the impact from the acquisitions of OpenBet, Chartwell and Cryptologic.

Adjusted EBITDA for the period came to \$42.7m, growing 305.3% year-on-year, while NYX also posted gross profit of \$144.2m, or 88.1% of revenue compared to 85.6% of revenue in 2015. The company's full-year results were boosted by a strong showing in Q4, reporting revenue growth of 196.6% to \$54.5m.

Also among NYX's highlights for the three months to 31 March were the signing of 11 new deals and the launching of six new clients. Furthermore, NYX was granted unconditional registration to deploy content to the market in British Columbia.

Matt Davey, CEO of NYX Gaming Group comments: "This was a transformational year for NYX. Our new operating model has been delivering an improved cost structure that, combined with our growth strategy, will result in increased operating leverage."

PACIFIC UPS THE ANTE WITH TATTS TAKEOVER BID

Pacific Consortium aim to sweeten the deal with a new inducement
Pacific Consortium has agreed to allow Tatts to continue to pay dividends to its corporate shareholders, even if the proposed AUS\$7.3bn takeover deal doesn't conclude until 2018.

Following its recent all-cash offer for Tatts Group, Pacific hopes that this inducement will sway shareholders to look favourably on their bid rather than proceeding with Tabcorp Holding's offer of AUS\$11bn.

It believes that this deal will offer flexibility, options and most importantly greater investor value to Tatts' shareholders.

Tabcorp Holdings' bid is currently the subject of a review by the Australian Competition Tribunal with a deadline for approval/rejection of June 2017.

The consortium has stated that its priority is to split off Tatts' lottery businesses from the main group, turning it into a separate entity.

Sources have reported that Tabcorp governance is attempting to stop the



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\$361.8M



The total roulette revenue in Nevada in the past 12 months



increase in Kindred's Q1 gross winnings revenue

bid in its tracks by influencing Tatts shareholders to vote against the Pacific bid.

VIETNAM SETS THE RECORD STRAIGHT

Sun Group confirmed as the only company with casino rights in Vietnam

In an attempt to quash the rumours that Vietnam may allow another operator to develop a casino in the region, the Quang Ninh People's Committee have sent Sun Group a letter confirming them as the only company with casino rights in the country.

The news will not have pleased FLC Group Joint Stock Company, who joined the increasing number of foreign and local investors betting on Vietnam's recently relaxed gambling legislation.

The company was seeking permission to build and operate a \$2bn, 10,000 acre casino and resort in the Province of Quang Ninh.

The opening of Sun Group's casino will mark a monumental change in

Vietnam's attitude towards gambling. The country launched a three-year pilot programme, allowing local Vietnamese citizens to enter casinos in addition to betting on football, horse and greyhound races.

The document sent to Sun Group states that it was "chosen by the province to report to the prime minister as the only developer of the luxury resort-entertainment complex with a casino".

HORSERACING LEVY BECOMES LAW

New legislation gains European Commission approval

The UK government has confirmed that proposed reforms of Horserace Betting Levy regulations have been successfully passed into law following European Commission approval of the changes.

Reforms will see a 10% levy being paid by all bookmakers receiving bets from UK gamblers, with a threshold of £500,000 gross profit on the charge for licensed bookmakers.



Number of Swedish gamblers attracted to online casinos per month as tracked by Mediavision

\$5.1BN



International Game Technology's total revenue in 2016

UK Minister for Sport, Tourism and Heritage, Tracey Crouch, has now signed the levy into law and it is expected that it will generate an extra £30-40m per year for the sport.

Speaking as news of the law change broke, BHA Chairman Nick Rust said: "Today is a very important day for British racing as the new levy will make a significant contribution to securing the long-term health and growth of our sport."

"While there remains much more to do in this regard, the levy replacement in itself is a huge achievement, and one that could not have been brought about without the determination and leadership demonstrated by Tracey Crouch MP and her team of dedicated officials at the Department for Culture, Media and Sport."

TENNIS HEADS SUSPICIOUS BETTING FOR NINTH QUARTER

Sport accounts for nearly half of cases
The sports betting integrity body, ESSA, recorded 27 cases of suspicious betting during the first quarter of

2017, with tennis accounting for almost half of those.

With 12 instances of suspicious bets, tennis was by far the most investigated sport, making 45% of the quarterly total. The remaining 55% of cases were split between: football (four cases), volleyball (four), snooker (two) and one each for boxing, handball and ice hockey.

Reviewing the integrity report, ESSA Chairman Mike O'Kane, stated: "The figures for Q1 follow a similar trend to previous reports. We know that tennis, in particular, has been working hard to address this situation."

"In addressing this issue at any level, there must be a clear understanding that well-regulated betting products, in themselves, neither create nor support match-fixing. That illicit activity is a result of corrupt sportspeople and criminals seeking to defraud betting operators," O'Kane concluded.

This is the ninth consecutive quarter tennis has topped suspicious betting alerts, with the Tennis Integrity Unit also admitting in January "concern" following its first annual report. ◀



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LV REVENUES AND VISITATION RISES

Gambling operators on the Las Vegas Strip posted an 8.07% rise in revenues to \$526.093m in March.

This increase is partly down to 2017's better calendar, with nine weekend dates in March this year compared with eight in 2016, plus the shift of the Easter holidays into April.

Below are other key statistics from the Las Vegas Convention and Visitors Authority:

	March	Year-over-Year Change
Room Inventory	149,351	+ 0.1
Hotel occupancy	95.3%	+ 1.8
Average hotel rate	\$149.02	+21.9
RevPAR	\$140.08	+24.8
Air passengers	4.206m	+ 3.2
Daily major hwy traffic	117,771	- 3.1

On the Strip, table drop declines slowed to just 3.69% for blackjack and 6.69% for baccarat against the double-digit declines posted over the last several months.

The Las Vegas Locals market grew revenue 3.24% to \$205.321m, and in terms of visitor volume, Las Vegas was up 1.4% to 3.784 million visitors in March.

Convention attendance on the Strip jumped 13.3% to 757,444.

US STOCKS

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

Wynn	\$125.19
Pinnacle	\$20.60
Everi	\$6.22
Golden Entertainment	\$14.97
Melco Resorts	\$21.81
Boyd	\$22.72
Caesars	\$10.00
Century Casinos	\$8.29
Isle of Capri	\$26.90
Monarch Casino	\$29.82

GUEST COLUMNIST:



PETER CAUSLEY
CO-FOUNDER,
LIGHTNING BOX GAMES

DISRUPTERS FROM DOWN UNDER *Causley sets out how Australia has shaped the world of video slots and details some of the new innovations set to hit the vertical*

When it comes to the global hotspots of slot innovation and design, the likes of Stockholm, Tel-Aviv, Warsaw, and the States spring to mind for obvious reasons in the modern era. Often ignored, however, is the huge impact Australia has had on this popular vertical.

The nation has a long and illustrious history when it comes to how players spin the reels. In fact, the first successful video slot was developed in Australia back in 1987 when Len Ainsworth's Aristocrat, Australia's largest gambling manufacturer, created direct copies of its best physical reel games.

This was soon followed in 1990 when Vidco in Sydney, which later became Pacific and then Universal/Aruze, created the first video slots that were not straight copies of physical reel games. These quickly became a huge success by combining five-line, 10-cent games with single line multiplier games, giving us the multi-line multi-coin games we know and love today.

Technological advancements

There's no doubt video and the advent of touch screen has led to a more entertaining experience and boosted player interaction through "second screen" bonuses.

In the early development of video slots, new payment methods such as tokenisation, bill acceptors and Ticket-In Ticket-Out (TITO) led to players being better able to load up credits and bet with a larger amount of credits. This led to lower denominations becoming more practical, which went hand-in-hand with a higher number of lines, only feasible on video technology.

This saw Aristocrat launching a nine-line, five cent video slot in 1994, and a year later Olympic (later becoming part of IGT) in Sydney creating a 15-line, one-cent video slot – both of which were huge successes with players and companies alike.

It's these technology advancements that were crucial in developing the video slots that are now the norm in thousands of online casinos around the world.

Fast forward to the modern era, and video slots have come on leaps and bounds since their early incarnation and we've seen some great innovations in the past year.

For instance, Yggdrasil's BRAG social media tool has been very successful, as it not only allows players to bask in the glow of their win, it also serves to promote the game to a new audience via third party endorsement rather than any expensive marketing spend.

We've also seen encouraging signs of player acceptance of non-traditional 3x5 reel games, such as Big Time Gaming's Mega Ways, and our own Reelfecta game Astro Cat. It demonstrates that there is room for innovative products and quality games that differ from run-of-the-mill content.

Future innovations

This year, I expect to see far more accumulator games triggered by player activity being developed, both in the land-based environment and online. These types of games remember what level a player is at from a previous session, and returns them to that same level when they come back to the casino.

It's fair to say these games haven't been successful to date, particularly for land-based casinos. However, technology has advanced considerably in the past couple of years and these are a great way to reward players, particularly as operators focus more on retention-based CRM.

Of course, online casinos will lend themselves more to this style of game, with each having dedicated accounts for all their players.

Going forward

While there remains regulatory uncertainty for operators Down Under, the development of slots in the region continues to flourish. While online operators are not short of content at this moment in time, there is still a growing niche for Aussie-style slots.

For Lightning Box Games based in Sydney, we're better placed than most to innovate and disrupt the sector, such is the experience we have gained by being based at the birth of the first successful video slot.

This year, we're continuing to improve on our solid range of slot games following the success of our innovative jackpot bonus feature, Stellar Jackpots, which allows everyone to enter a bonus at the same regular frequency usually reserved for high-staking customers.

We're also looking to launch more genuinely omni-channel content, which few people are doing.

So, keep your eye on Australia for great new developments, as it's not just the Southern Cross which burns brightly down here.

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