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THIS WEEK

- **Paddy Power Betfair's triple-digit profit growth**
- **Spanish online market hits all-time high**
- **Macau's fortunes continue to improve**
- **Gambling Commission fines BGO for ad breaches**
- **Guest Columnist: Mike Buck, Head of Delivery, BJSS**

WEEK 18

FRIDAY 5 MAY 2017

AUSTRALIA SET TO DELIVER ONLINE GAMBLING REFORMS

Country will take drastic measures to reduce problem gambling



In a continued effort to crack down on problem gambling online, an agreement has been reached among federal, state, and territory ministers in Australia.

Under a number of sweeping new reforms, online gambling sites operating in Australia will be banned from offering lines of credit, and operators will no longer be allowed to advertise payday lenders.

Furthermore, bookmakers will be required to provide regular activity statements to the government, detailing an individual's wins and losses.

Human Services Minister, Alan Tudge chaired a ministerial meeting on problem gambling last week, explaining how the new reforms are an important "milestone" for the national gambling framework.

Tudge commented: "I think it's unconscionable for a company to provide lines of credit for them to continue to bet once they've emptied out their credit cards; they've emptied out their savings account and yet they're provided lines of credit. ▶

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THIS WEEK IN NUMBERS

26.4%

The amount Mr Green's revenue soared year-on-year in Q1



The cost of the finalised merger between Eldorado Resorts and Isle of Capri Casinos



The amount of revenue growth NYX Gaming Group posted in its full-year report for 2016

"I think they've come a long way to realise they've got to be responsible going forward if they're to continue to operate effectively in Australia."

By September 2017, the ministers are expected to see a national self-exclusion registry established and operational, allowing players to ban themselves from gambling sites for periods ranging from three months to a lifetime.

As told to The Australian, Tudge explains: "Many Australians enjoy a punt and the agreement today paves the way for stronger protections for them. The rate of problem gambling online is three times higher than elsewhere, and online wagering is growing by 15% annually. "In the future more problems will come from online punting unless we have better protections in place."

The new reforms mark another important effort by the Australian government to curb problem gambling, however, it is still looking for ways to block internet service providers and payment processors in a bid to combat illegal offshore betting.

Relating to the anticipated regulatory overhaul on the continent, The Australian

has also reported that there are talks of a federal government-imposed ban on gambling advertising during live sports events. This could lead foreign sport content providers, including ESPN, Bein Sports and Eurosport, to abandon Australia and take high-profile sporting franchises like the NBA and the UEFA Champions League with them.

KEY POINTS

- Australian-facing gambling sites will be banned from offering lines of credit
- Bookmakers will be required to provide the government with regular consumer activity statements
- A national self-exclusion registry is expected to be established by September.

PADDY POWER BETFAIR REPORTS IMPRESSIVE Q1 RESULTS

Growth is accredited to favourable sports betting results

Paddy Power Betfair has recently reported impressive first quarter results, mainly attributed to its successful sportsbook division.



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The number of Portland poker rooms that could face closure if new bill passes through state legislature

 **24%**

The amount of growth Scientific Games recorded in unit shipments for Q1 2017

\$963M



The increased total amount Caesars posted in net revenue for the first quarter of 2017

In the three months ending 31 March, the company posted figures showing that its underlying profits jumped by 114% to £91m from £42m the year prior.

Paddy Power Betfair Chief Executive, Breon Corcoran attributes the impressive boost to the "results at Cheltenham 2017", "merger-related cost savings" and a "continued focus on operating efficiency".

Indeed, the FTSE 100 betting group reported a 23% year-on-year increase in revenue to \$416m from £339m due to bookie-favourable sporting results.

Paddy Power Betfair's impressive quarter of revenue growth is largely down to a 33% increase in its sportsbook revenue. It noted that 19 out of the 28 races at Cheltenham this year were profitable for the company compared to the dismal 11 in 2016.

gambling revenues for 2016 soaring by 32.6% to €125.7m in Q4.

According to results posted by the Directorate General for the Regulation of Gambling, the amount wagered online increased by 19.9% to €2.9bn.

Sports betting had a huge impact on the fourth quarter results, generating an impressive 55.52% of the country's total gambling revenues worth €69.8m.

Additionally, casinos held a 28.6% share worth €36m, poker with a 12.12% share worth €15.2m, with bingo only contributing a small 2% share worth €2.2m.

The number of first-time customers signing up for new accounts increased by 10% to 598,000, whilst active players increased by 17.3%, driven by operators spending more than a third on marketing.

SPANISH ONLINE GAMBLING MARKET PEAKS

Strong marketing delivers record results

Spain's online gambling market has reached an all-time high, with gross

MACAU GAMING REVENUE SOARS 16% IN APRIL

Gaming hot-spot meets analysts' high expectations

According to data posted by the Gaming Inspection and Coordination Bureau, ▶

26.75%



The amount PAGCOR increased in its year-on-year net income for Q1 2017



The majority vote that passed through Pennsylvania's House Gaming Oversight Committee to legalise sports betting



The rank given to Lottoland in The Financial Times European fastest growth index

April saw Macau's gross gaming revenue rose 16.3% year-on-year to MOP20.2bn (US\$2.5bn).

Analysts speculate the cause of the region's record nine straight months of positive growth is due to strong VIP numbers, with figures in April occupying the higher end of analyst estimates.

Analysts expect a strong revenue growth for the balance of the year, however the pace of growth may fall back during the final two months.

Bernstein Research wrote in a note that "VIP GGR during the month was much stronger than we had expected. However, longer run we remain sceptical of a long sustained double-digit growth environment for VIP."

Wynn Macau Ltd saw the highest rise in revenue, with a 26.5% increase in net profits in Q1 2017 to \$103.6m.

Entertainment £354,200 for breaching advertising rules.

The regulatory body's decision marks the first time it has issued a penalty directly related to a gaming firm's marketing.

The UKGC established that between 2015 and 2016 BGO published nine adverts on its website that were "potentially misleading to customers", as well as 14 further ads on affiliate sites.

The regulator also said that BGO did not take "timely and effective action" and provided "inaccurate assurances" that such issues had been addressed.

The regulator's License Conditions and Codes of Practice (LCCP) has required licensed operators to clearly state the limitations or rules behind free bets, bonuses or similar offers.

Paul Hope, Programme Director at the UKGC, said: "We want to make sure that gambling is conducted fairly and openly. We have made it clear to the industry that misleading advertising is a serious issue.

"We want operators to take note that the issues identified in the decision notice are likely to form the basis for future compliance assessments and could lead to enforcement action." ◀

GAMBLING COMMISSION FINES BGO FOR MISLEADING ADS

The commission issues first fine as a warning to operators

The UK Gambling Commission (UKGC) has fined iGaming operator BGO

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REFLECTIONS ON THE INDIAN GAMING TRADESHOW AND CONVENTION

Q&A WITH DALLAS ORCHARD
IGT's Chief Product Officer, Gaming,
has had some time to reflect on a successful tradeshow for IGT. He shares his thoughts on this year's San Diego conference with GI.



What were your personal highlights of this year's show?

It is always gratifying to see the games and services that my team members have worked on for months and in some cases, years, come to life on the trade show floor. At NIGA we premiered new for-sale games on the CrystalCurve cabinet and our customers expressed a lot of enthusiasm for that exclusive content. It was also great to see so many of our customers enjoying products such as Fort Knox Video Slots, the MegaTower cabinet and The Voice Video Slots – all themes that will be hitting our customers' casino floors in the coming months.

What products were IGT debuting/displaying this year?

IGT's NIGA booth featured a compelling mix of solutions across all our product lines. Standouts from our Premium portfolio included titles such as Sphinx 4D, Fort Knox Video Slots and Super Red Hot Jackpots. From our core offerings, IGT was particularly proud to reveal the CrystalCurve cabinet with for-sale games such as Wild Fury and Dreams of Egypt. The 43-inch curved, 4K display of the CrystalCurve cabinet lends itself to a truly dynamic player experience. We also highlighted a number of titles on the CrystalSlant cabinet from our "Proven Performers" game family, new video poker

concepts, and new content for the S3000 and S3000 XL cabinets. IGT took many of our tribal customers through product demonstrations for our award-winning Cardless Connect and PlaySpot mobile solutions. Both of these innovations are gaining operator praise in geographies around the world for their capacity to enhance the land-based casino environment for players and operators alike.

What was the feedback like from those that saw your products?

IGT received very positive feedback about our NIGA portfolio. We have a lot of customers looking forward to adding our latest innovations on their casino floors and many are anticipating the upcoming release of Harley-Davidson Video Slots on the CrystalCurve cabinet and The Ellen DeGeneres Show Sharing the Love Video Slots on the CrystalCurve ULTA cabinet. Our Cardless Connect and PlaySpot mobile solutions continue to generate significant customer

interest as well – both solutions are truly transformative in their own right.

What makes NIGA such an important conference to attend for IGT?

IGT's relationships in tribal gaming extend deep into the company's history. The annual NIGA event presents an ideal platform for IGT to collaborate with tribal leaders and introduce new innovations in games, systems and solutions. Additionally, trade shows such as NIGA present a valuable opportunity for us to connect with our customers and gain their valuable feedback about our product portfolio, and obtain an even deeper understanding of their individual business objectives.

Have you seen an increase in lead generation since the conference came to a close?

NIGA was a very productive show for IGT. From here we will remain focused on execution and driving value for our tribal gaming customers.

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CAESARS UP ON LAS VEGAS STRIP

Caesars Entertainment's first quarter earnings results highlighted the continued growth on the Las Vegas Strip.

The operator was able to grow EBITDA on a 10% rise in average daily revenues at its Las Vegas hotels, while higher efficiency in operations also drove EBITDA higher and backed continued improving margins, which were up by 0.65%.

The company remains on track to close on the restructuring of Caesars Entertainment Operating Company in the second half of the third quarter.

It should be noted that the operator's losses did widen in the quarter as a result of a \$466m accrual as part of Caesars Entertainment Operating Company's restructuring.

FIRST QUARTER HIGHLIGHTS:

- **Diluted earnings per share:** (\$3.71) vs. (\$2.12)
- **Net revenue:** \$963 million vs. \$950 million
- **Adjusted EBITDA:** \$274 million vs. \$261 million

By segment:

- **Caesars Entertainment Resorts Properties:** \$171 million vs. \$158 million

- **Caesars Growth Properties:** \$109 million vs. \$107 million
- **Balance sheet: Cash:** \$1.454 billion vs. \$1.513 billion as of December
- **Long-term debt:** \$6.743 billion vs. \$6.749 billion

52-WEEK GAMING STOCK CLOSING HIGHS

Below are US gaming stocks that hit 52-week highs as of Wednesday

COMPANY	CLOSING PRICE
Boyd	\$24.33
Melco Resorts	\$22.48
MGM Resorts	\$31.11
Melco Resorts	\$25.40
Caesars	\$11.40
MGM Growth Properties	\$28.70
TransAct	\$9.15
Century Casino	\$8.60
Wynn	\$125.92

GUEST COLUMNIST:



MIKE BUCK

HEAD OF DELIVERY, BJSS

BOOKMAKING TECHNOLOGY THAT HANDLES HIGH VOLUME

Upgrading your technology platform to cope with demand? Here are the four most important considerations

Picture the scene; with five minutes to go of the last game of the season, your favourite team is behind. You've placed a big bet on them winning but it's not looking good. You then log-on to your betting website to cash out, only to find that everyone has had the same idea and that the website has crashed meaning you miss your chance.

Stories like this occur during every major sporting event. Take, for example, the Cheltenham races this year. Bookies took in £200m over the course of the festival, but the load created by the army of punters viewing the latest odds before placing their bets brought many online services to their knees.

This is an all too common scenario, where demand fluctuates significantly over short periods. When you dynamically update content in real-time, the complexity becomes even greater. To help mitigate this risk and minimise lost revenue, bookmakers must take great care when selecting technology platforms to ensure they provide the most resilient service possible.

Thanks to advances in open source software, Agile delivery, big data analytics and cloud computing, enterprise-scale software projects need not be as resource-intensive or unpredictable as they used to be. Having worked extensively with several of the UK's largest bookmakers, we have identified four key pointers to keep in mind when considering a technology platform update.

Open Source

While there might be a temptation to deploy commercial "off-the-shelf" products, they don't necessarily provide the best long-term outcome.

Open source provides a viable alternative to commercial packages, delivering significant capital and operational cost-savings whilst eliminating vendor lock-in.

Other benefits include the opportunity for customisation and better support for open standards, both of which help improve interoperability with other systems. Openness can also lead to better security thanks to more responsive support from active developer communities when new security concerns are discovered.

Delivery

In a bookmaking environment, where odds are constantly changing, and where products are continuously tweaked to stay ahead of the competition, Agile delivery techniques make perfect sense. Continuous Delivery can accelerate delivery by enabling rapid delivery of incremental changes.

In our experience, bookmaking organisations want answers to three questions before they embark on expensive IT projects: what will be delivered, when will it be delivered, and how much it will cost. Agile is often riddled with uncertainty, providing woolly answers to these questions.

Our delivery approach takes the best of Agile, whilst eradicating technical and functional risk early. Called 'Enterprise Agile', it measures risk from the outset, while also promoting early and continuous testing.

Cloud

The cloud provides the flexibility required to accommodate spikes in demand seen during popular sporting events. It is cost effective, reliable, and it enables the team to focus entirely on improving their product.

One of the most important benefits of cloud is that it delivers cost-effective scalability and enhanced performance. With services like AWS effectively providing a "data centre in a box", there is no longer any reason make costly capital investments in data centre infrastructure. Put simply: you benefit from the latest technology, and pay only for what is consumed.

Analytics

Data improves business effectiveness and outcomes, and if used correctly, will generate value across the entire organisation. In a bookmaking environment, the typical use case for big data and data science is to calculate odds, but our clients also use it to track user journeys and behaviour.

Others use analytics for external data sources, such as social media and geolocation data too. These sources provide richer business intelligence, allowing bookmakers to understand changing sentiment amongst sports fans, and to tweak their products to appeal to these sentiments.

With an online gambling sector worth over £3.6bn, companies are constantly attempting to increase market share by offering an improved customer experience. By taking note of these pointers, any business will be able to build a service that is sufficiently agile to create scalable efficiencies and, most importantly, attract and retain more customers.

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