



WEEK 19

FRIDAY 12 MAY 2017

G2E ASIA PREVIEW

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FRIDAY 12 MAY 2017

FACIAL RECOGNITION FOR MACAU'S ATMS

The move comes as Beijing vows to support the region's growth and diversification

THIS WEEK

- **Australian watershed for gambling adverts**
- **Philippine regulator to sell off all casinos**
- **Paddy Power Betfair buys US DFS operator**
- **G2E Asia - Event Preview and Exhibitor Q&As**
 - **Guest Columnist: Tristan McDonald, Managing Director, i-pools**



Macau has made the move to introduce facial recognition technology that will be used to scan millions of bank card users at ATMs in the world's largest gambling hub.

In an unprecedented move by authorities to tackle money laundering, the region is looking to tighten restrictions on cash flows out of the mainland.

In a statement the government said the new restrictions will see users scan their identity card at ATMs, which will use facial recognition technology to verify the user allowing them to monitor withdrawals.

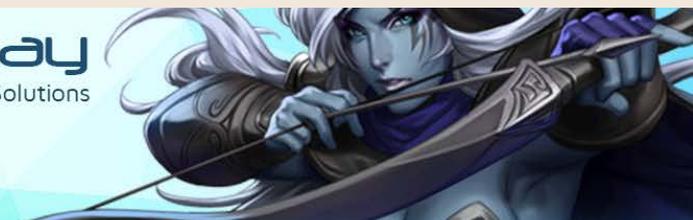
Although the government failed to mention when the new security features would be implemented, it did say that it would specifically target ATMs around casinos. The document stated: "All ATM machines in Macau, including those inside casinos and neighbouring areas."

The statement said only people using UnionPay bank cards issued in mainland China would have to undergo the identity recognition procedures.

The planned ATM measures come as Macau is proposing changes to its anti-money laundering laws which will strengthen current regulations. ▶



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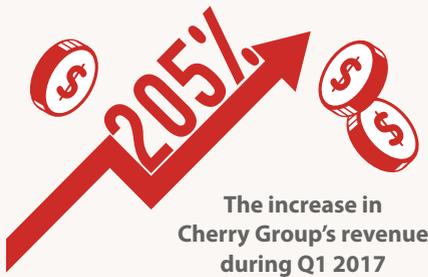


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THIS WEEK IN NUMBERS



The stake percentage of Crown Holdings that Melco Resorts is putting up for sale



The gaming authority is also conducting additional audits on the lucrative VIP gambling sector and more vetting of individual junket operators.

The announcement of these regulatory developments falls at the same time as a three-day visit of high-ranking Chinese official Zhang Dejiang.

Beijing has consistently championed the diversification of Macau's economy, with Dejiang pointing to Macau's "brilliant achievements", while noting that "Macau now faces an important stage as it makes a transition in its development."

KEY POINTS

- Macau to introduce facial recognition tech to region's ATMs
- The date of implementation has not been set
- The region recorded gaming revenue growth of 16.3% for April.

AUSTRALIA TO BAN GAMBLING ADS PRE-WATERSHED

The ban will apply to the internet, television and radio

The Australian government has announced that it will look to ban all gambling related advertisements during live sports broadcasts taking place before the established industry watershed of 8:30pm.

Prime Minister Malcolm Turnbull confirmed that the ban would apply to television, radio and the internet but horse racing will be exempt from the new restrictions.

Under proposed changes, existing sports networks who will likely suffer lost advertising revenue will be compensated for these losses through a reduction in the cost of TV licencing fees.

The move comes despite widespread condemnation from Australian sporting associations, many of whom have existing financial agreements with betting operators in Australia which are now in jeopardy due to the proposed changes.

Mr. Turnbull told Australian broadcaster ABC News that: "Parents around Australia will be delighted when they know that during football matches, and cricket matches, live sporting events before 8:30pm, there will be no more gambling ads."



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\$742M



The amount the Venetian Macau casino resort generated in net revenue during Q1 2017



40%

The percentage of adults aged 18-34 that have experienced VR in a recent study



The cash amount Catena Media paid in Online Media acquisition

PHILIPPINES TO SELL OFF STATE-RUN CASINOS

PAGCOR operates 46 casinos across the country

The Philippine Finance Ministry have confirmed its intention to sell its state run casinos before the end of the year, according to the Philippine Inquirer.

At present the Philippine Amusement and Gaming Corporation (PAGCOR) operates 46 casinos across the Philippines and also acts as the countries gaming regulator, prompting concerns about a conflict of interest.

In light of these concerns, President Rodrigo Duterte told PAGCOR at the end of 2016 that it would have to sell its casinos to raise funds for the state.

Finance Secretary Carlos G. Dominguez told reporters: "If our casinos were to replace a glass that's broken, I think it will take ages as compared to what Okada and Solaire can do. It's better for the government to move out of casino operations.

"And secondly, of course, it will remove the conflict of interest when you are the regulator as well."

PAGCOR is required by law to give half of its annual earnings back to the Philippine government, with the funds being used in community and social projects around the country.

In the first quarter of 2017 PAGCOR paid over P7.37bn in tax revenue and contributions back to the government.

No offers have at present been made for any of the properties operated by PAGCOR despite a reported 26.75% rise in its year-on-year net income for Q1 2017.

PADDY POWER BETFAIR ACQUIRES US DFS OPERATOR

The deal will cost the operator an estimated \$48m

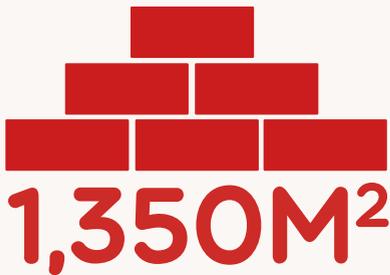
UK-based operator Paddy Power Betfair this week announced its purchase of American DFS company Draft in a deal worth an estimated \$48m.

Under the terms of the deal Paddy Power Betfair will pay an initial cash amount of \$19m, with a further amount of \$29m being paid over the next four years, based on the company's performance during that time.

Current Draft Co-Chief Executives Jeremy Levine and Jordan Fliegel will continue to



The total amount Gamblit has raised in growth financing



The floor space in ADMIRAL's new betting shop, making it the biggest in Europe

run Draft, with the company having full access to Paddy Power Betfair's marketing and technological expertise.

Paddy Power Betfair has confirmed that it will make a substantial marketing investment over the next few years to develop the business as the company looks to expand further into the US DFS market.

Chief Executive Breon Corcoran welcomed the acquisition, saying: "Draft has a differentiated product and we believe the business, with the support of our marketing and technology expertise, can take share in the fast-growing daily fantasy sports market."

WILLIAM HILL RECORDS REPORTS ONLINE REVENUE JUMP

The bookmaker's international business also enjoyed a fruitful opening three months

UK-based bookmaker William Hill has reported a 16% jump in its year-on-year online betting revenues in the first quarter of 2017.

It also reported strong net revenue growth in its international divisions,

with 41% growth in Australia and 19% net revenue growth in the US.

Amounts being wagered in Australia grew by 53% with the US reporting wager growth of 29%.

Overall net revenue for the group increased by 9% in Q1 2017.

The positive results follow substantial investment by the company in its online platform, culminating in the launch of a new Android application and desktop site last year.

William Hill also confirmed that service improvements rolled out at the Cheltenham and Aintree festivals had contributed to 24% growth in new customer accounts being set up.

Phillip Bowcock, Chief Executive of William Hill welcomed the results saying: "It has been a positive start to the year for William Hill across the board. Our online business continues to deliver growth thanks to the improvements in product, user experience and marketing we have made.

"Retail is also seeing positive trends while our key international markets continue to perform well with double-digit wagering growth." ◀

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THREE I-LEAGUE DOWN

The three I-League states - Illinois, Indiana and Iowa - all posted low single-digit gaming revenue declines in April.

Part of the decline can be attributed to the calendar. There were nine weekend dates this April vs. 10 last. Combined with the fact that Easter, which is historically a weak period for US casinos, fell completely in April this year vs. March last.

In Indiana, Penn National's Hollywood casino and Pinnacle's Ameristar casino experienced the worst year-over-year revenue declines in April, and when factored out, Indiana revenues would have been up 0.12%.

PNK reported on its investor conference call that unlucky play has had an effect on revenues.

On the upside In Iowa, Rhythm City casino again continued to lead the charge in terms of gaming revenue growth in Iowa, as its land-based casino grew revenue 56.66% in April compared to the riverboat it replaced last year.

Factor out Rhythm City and Iowa would have been down 3.51% year-over-year.

Illinois	-2.88%	\$121.745 million
Indiana	-3.50%	\$183.652 million
Iowa	-1.83%	\$126.785 million

US STOCKS

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

COMPANY	Closing High as of Wednesday
Everi	\$7.03
Nevada Gold and Casinos	\$2.37
Penn National	\$19.25
Tropicana	\$36
Eldorado	\$20.90
Pinnacle	\$21.97
Boyd	\$24.86
MGM Resorts	\$31.23
Gaming and Leisure Properties	\$35.61
Monarch Casino	\$30.04

G2E ASIA 2017 - EVENT PREVIEW

Q&A WITH JOSEPHINE LEE

Josephine Lee, Chief Operating Officer of Reed Exhibitions Greater China, gives us a sneak peek at what to expect at Asian gaming's biggest trade exhibition



What are the standout features of this year's show?

There are three parts of the show in particular that I think will be of great interest. The first is titled 'Highlighting integrated resort technologies and solutions', where we reflect on the casino industry's increasing reliance on non-gaming amenities and attractions, and will contain over a dozen companies showcasing integrated resort technology and business solutions. The segment will feature hospitality integrated solutions, security systems, big data analytics, as well as a broad array of solutions that can improve patrons' experience and boost operational efficiency.

We are also holding a new networking event called 'Future Technology Leaders Get-Together' which will bring together over 120 emerging technology executives from integrated resorts, suppliers and government to get inspired, exchange ideas and discuss the application of innovative solutions for improved customer engagement.

Following the successful launch of the Gaming Regulatory Luncheon last year, this year's event has been expanded to become the 'Gaming Regulatory Briefing and Networking Luncheon'. Against the backdrop of the Asian gaming market's rapid evolution,

the event will be a great opportunity for regulators to exchange views, share updates and explore opportunities to drive development in Asian gaming.

What makes G2E Asia different from other gaming shows?

Across the continent, G2E Asia is renowned as a key gaming and entertainment business hub. Every year, over 95% of Asian casino operators attend the event. This year's show floor space is bigger than ever, with more than 25% growth spanning nearly 28,000sqm. First-time exhibitors make up nearly a third of the 180 exhibitors and of the 70+ companies set to demonstrate innovative online gaming solutions, 45% are new to the event.

We also expect over 12,000 visitors, including 1,000 top international buyers from 90 countries and regions. A total of US\$28m worth of business transactions were generated on-site in 2016, and this year's edition expects a significant increase with more than 400 pre-arranged online and offline business meetings. Many of which will take place directly on the show floor, making G2E the marketplace for the Asian gaming industry.

What do you think will be the main topics of discussion among delegates at this year's show?

We've strived to ensure that the conference sessions will be of great value to this year's delegates. The educational program features well-respected industry leaders presenting topics directly related to enhancing industry-wide knowledge and improving the bottom-line for gaming operators.

The conference will start with a keynote address by Francis Lui, Deputy Chairman of the Galaxy Entertainment Group. This will be followed by the Asian Markets Forum, which will cover the analyst's perspective on Asian markets by Praveen Choudhary, MD of Morgan Stanley and Grant Govertsen, MD of Union Gaming. The forum will also feature not-yet-released research by PricewaterhouseCoopers on penetrating the Japanese market.

The second conference day will focus on gaming operations, technology and integrated resort operations and marketing,

covering the most topical issues affecting and shaping the industry in Asia today. Dr. Paulo Martins Chan, Director of the Macao Gaming Inspection and Coordination Bureau, will deliver a highly anticipated keynote address in the afternoon.

Newly added this year on the last day is the IAGA Best Practices Institute, organised by the International Association of Gaming Advisors (IAGA). The Institute will focus on game integrity and asset protection, anti-money laundering, financial crime prevention and best practices in responsible gaming, as well as social safeguards. IAGA's program will run concurrently with the iGaming Summit, which is organised by the official industry supporter, Asia Gaming Brief. The Summit will facilitate in-depth discussion of next-gen products and marketing.

What did you learn from the feedback after last year's show?

We heard very clearly that networking is a key reason to attend G2E Asia. This feedback drove our decision to increase lunch-and-learn and networking opportunities. A few programs of particular note are the Gaming Regulators Networking Luncheon, which provides regulators with the opportunity to exchange views, share updates and explore potential for development of Asia's rapidly growing and changing gaming industry.

Networking sessions for slots, table games and lotteries & interactive entertainment segments will also take place each afternoon during the exhibition at G2E Asia bar.

Josephine Lee has been working in the exhibition industry for 20 years. Since joining Reed in 1998, she has distinguished herself by winning four major awards - the Export Division President Award (2000); the Reed Chairman's Award (2001 & 2009) and the Reed China President's Award (2005).

Her dynamic leadership has also seen her spearhead the restructuring of the Export Division in Australia; develop outbound business in Asia and establish Reed offices in Beijing, Shanghai and Shenzhen (in 2002, 2003 and 2012 respectively). Today, in addition to Sales and Marketing responsibilities, she will oversee Reed Greater China's entire portfolio of events, as well as the Operations Team.

Q&A WITH ROSSI MCKEE, VICE PRESIDENT, CASINO TECHNOLOGY



Why will Casino Technology be attending G2E Asia?

We are looking forward to showcasing a range of slot machines and games that are specifically tailored to the demands of the Asian market. The company's attendance at G2E Asia is seen as a chance to strengthen and expand positions in the region, which is rapidly developing and amongst the largest markets in the world, thus providing opportunities with a global perspective. The games and multigames we will be presenting are focused on local requirements, and featuring themes and math models that are most in demand.

Which products you will be showcasing?

Casino Technology will demonstrate an innovative series of linked Asian-themed progressive games. They will be presented in the multigame suite 8 Peacocks made up of five compelling titles – Magic Pearl, Great Warlord, Peacock and Dragon, Five Blessings and Clover and Peacock, where once within the bonus, a win from one of the progressive jackpot levels is guaranteed. The Chinese mythology inspired games will be presented using one of Casino Technology's most premium products, the Arch, which has a horizontally-curved 42" main monitor and gaming customised display with anti-glare surface.

The Arch's natural successor, the brand-new Arch Titan slot machine, will also be on display, with a 42" HD horizontally curved monitor for the main game and second 42" HD vertically curved top box displaying the jackpot accumulations and winning celebrations. It will be running the Five Blessings Delux stand-alone progressive game, which is entirely dedicated to the specific needs of the Asian market in terms

of math concept and betting structure. It has impressive graphics and utilises a concept with different sets of free games and a multiplier that makes the game more exciting, volatile and entertaining.

Five Blessings Delux will also be presented in the EZ Modulo slot machine as well. This contemporary cabinet uses a modular design with two 27" HD monitors as well as a 24" video topper.

Red Bird and Golden Dragon is another title tailored to the Asian market that will be showcased, based around a theme from Chinese mythology. It features free games and extra wins, triggered by symbols like Yin and Yang and Dragon.

The new-wave Casino Technology slot machines T3 and the Tower slant top will also be amongst the highlighted products on the company booth #351 at G2E Macau as well. They have implemented newest patented Combo concept that combines standard casino slot machine and online gaming terminal in one.

The company's solution for a unified gaming experience is powered by our seamless multichannel suite, The Big 5. It includes the Elephant Remote Game Server and the Leopard Online Gaming Platform. The Game Server can distribute Casino Technology's game content as well as exclusive third party content to all existing gaming channels - from online and mobile gaming to traditional VLTs. The Gaming Platform provides both operators and players the flexibility of choosing between a wide range of casino games and products seamlessly integrated into a single casino lobby and wallet.

What kind of footprint do you already have in the Asian market?

Casino Technology already has established positions in Asia with installations in Cambodia, South Korea and Philippines. The operators there are seeking diversity in the floor and have chosen slot machines from the company portfolio with high technological features that are easy to maintain. The Asian-themed progressive games series 8 Peacocks became a players' favourite because of the impressive graphics and the smoothness of the game. The company continues to gain traction in the market and is currently preparing installations at locations in Vietnam and Macau.

Q&A WITH MARIO OVCHAROV CMO ULTRAPLAY



What are you looking to achieve at G2E Asia?

UltraPlay will team up with our vital business partner in the Asian market, Sky City, and we expect to have a very successful show during this year's G2E Asia. UltraPlay's prominent role in the world of eSports betting solutions will be a key consideration for operators looking for advanced eSports platforms and data. The company's emerging position in this market will further strengthen after G2E Asia 2017.

Do you have any new products to showcase?

UltraPlay will demonstrate our latest technology innovations and platform developments during the show. G2E Asia is the Asian gaming industry's best-established exhibition, so a perfect place for us to present the brand-new front-end of our advanced betting platform. With our mission to provide advanced betting solutions to our clients, we are once again ready to pique the interest of visitors with our latest platform's improvements which have made it more dynamic, user-friendly and exciting for all players looking for the next level gaming experience.

What footprint do you currently have in Asia?

UltraPlay has successfully built a long-term and solid business partnership with Sky City. Delivered through Flash, native mobile apps and HTML5, the modern live dealer casino solution, which is tailored for Asian preferences, ensures that players have a more socially engaging and immersive gaming experience.

Where do you see room for growth in this market?

ESports is a global phenomenon with a solid foothold in the Asian market, and betting on it can further enrich the iGaming industry and the whole ecosystem. We believe that our in-depth knowledge and experience with eSports can advance the process for many operators who are looking to get involved and make best use of this new slice of the betting market, which is attracting more and more followers and admirers around the globe.

Q&A WITH BARAK EISENSTEIN CEO FANTASYNETWORK



What will FantasyNetwork be showcasing in G2E Macau 2017?

FantasyNetwork is excited to launch the Asian-facing version of our patent pending InPlay Manager platform. This

extremely innovative product is offered with built-in 'We-Chat' integration, empowering our partners with direct access to the biggest mobile ecosystem in Asia with more than 900 million users.

What is the actual game experience like?

Upon choosing a match and selecting your five player roster out of the 22 player line-up, the InPlay match events are broadcasted to the users. Each football player is ranked according to more than 50 statistical parameters. The user has the ability to become a football manager for the match, by making substitutions and using different interactive boosters - the users who gain the most Fantasy points during the match wins the pot and bragging rights.

What is your perspective on Daily Fantasy Sports?

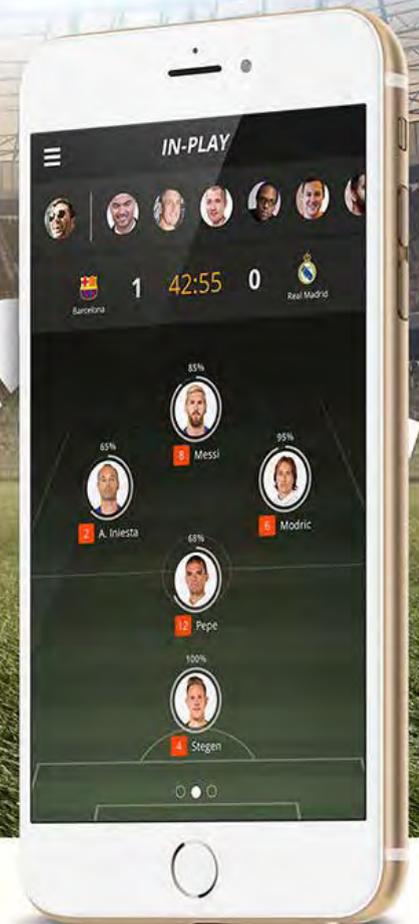
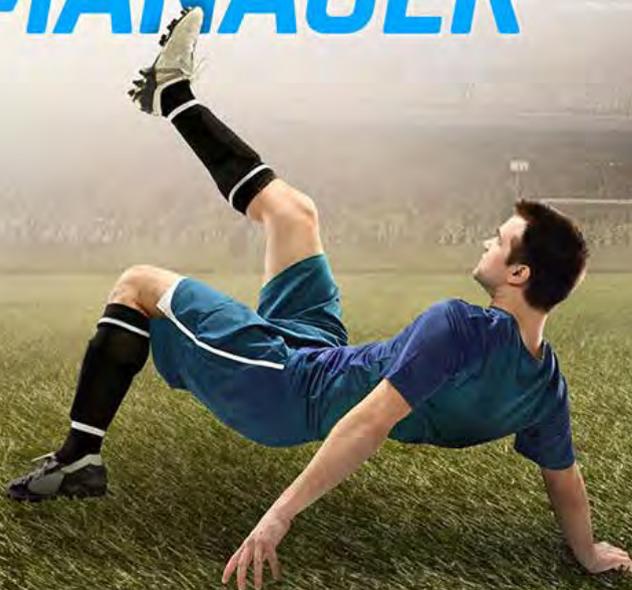
The US version of DFS in which users can play daily on different leagues is nice, but niche in other regions outside the US. There are alternatives such as sports betting which lack the crucial interaction element essential for operators

wanting to attract Millennial clients. We are trying to revolutionise the live football gaming experience; the current user offering of In-Play sports betting companies globally is fairly homogenous, with each offering 100-150 live betting odds per game. Personally, this type of football gaming experience isn't my cup of tea, nor is it one for my social circle. Millennials are looking for the 'whole shebang', a genuine skill-based experience, live interaction and gratification. It is 2017 and football manager games are not interactive and are still based on the same elements from the last 20 years, until now.

What sort of business will you be looking to do at the show?

G2E Macau is the largest gaming conference in Asia, so it is natural that FantasyNetwork, which is a leading Fantasy Sports B2B platform, will be there. We are looking to establish the Asian In-Play Fantasy Sports market for beginning of the football season for 2017 and 2018. G2E Macau is an exciting opportunity for us to meet with market leaders and sign new partnerships.

INPLAY MANAGER



ASIA REGIONAL FOCUS - MACAU

IN THE ASCENDANCY?

Is the region's current success set to continue or will proposed relaxation of gambling restrictions in countries across South East Asia impact this popular gaming hub? Words Robert Simmons

Junket tourism has fuelled Macau's rise to a position of seemingly unassailable dominance over the Asian casino market. High rollers from across the region can easily access Macau's casinos and gaming tables using the 150-plus private airlines, while year-on-year growth in both tourism and revenue has enabled Macau to become the hub of gaming activity in Southeast Asia. Macau's revenue is already showing a year-on-year increase of 13.8% in 2017, while visitor numbers increased 5.8% against the same period in 2016.

A key factor in this success is Macau's connection to China, which industry analyst Grant Govertsen believes "makes it the most enviable gaming market in the world".

Chinese visitors to Macau made up 67.5% of the total visitor numbers for the first quarter of 2017, with these numbers

increasing exponentially year-on-year.

Mainland Chinese coming to Macau under China's outbound visa system accounted for just over 2.76 million arrivals in the first three months of 2017.

IGamix Managing Partner Ben Lee attributes Macau's success to a combination of three things: "It is tolerated by China in part because of the outflow of cash from its own economy, and the small land border which allows potential customers/players easy access to the casinos. The fact that Macau is overwhelmingly Chinese in its culture also makes it far easier for Chinese visitors to find their way around."

Several high profile casino thefts prompted a crackdown by the Chinese government on illegal junket operators, which did damage casino revenue for a time, but recent rises in visitor numbers have shown this to have little effect.

Shaun McCamley believes that ultimately the crackdown will prove to be a positive thing: "Junkets and the application and provision of credit was getting completely out of control. The new controls on junket probity and liquidity will ensure a much

better environment with longer upsides as a result."

As Macau expands its brand into Asia, the need to innovate increases, with alternative gaming slowly being added to existing casino staples like baccarat.

Desmond Lam, Professor of Marketing at the University of Macau says that "Game diversification will be an issue that casino operators need to consider as we enter the next decade, but for now, baccarat remains the preferred game of the Chinese."

If Macau's casinos and resorts need guidance on how to innovate, they need look no further than the gambling titan that is Las Vegas. Its diversification away from reliance on traditional casino gaming towards a more destination-style structure has attracted a broader spectrum of visitors beyond those merely visiting for gaming purposes. The adoption of this approach came after a sustained period of research by casino operators as to what their visitors wanted when visiting the city.

Lee believes diversification is essential to Macau's success: "Once Macau diversifies, it will then and only then achieve its

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objectives of attracting not only Chinese visitors, but visitors from other countries as well. China will then be much more amenable to letting the Macau gaming industry grow.”

By researching the needs of the largest existing visitor demographic, the Chinese, Macau casino operators would be able to enhance their resorts accordingly and, if successful, increase revenue accordingly without too much risk. If it is proven that this research has had a positive effect then it can be rolled out to existing visitors with the aim of attracting greater numbers.

However, in any innovation, there is always the danger that the change may be unsuccessful in generating additional income or be opposed by regulatory authorities, as with proxy gambling.

On May 6, 2016, Macau’s gaming regulatory authority, the Gaming Inspection and Coordination Bureau (DICJ), announced that the use of telephones by those sitting at VIP gambling tables would be prohibited, despite opposition from Macau casino owners who had benefited as a result.

Some of Macau’s casino operators have attempted to add Vegas-style attractions to their casino offerings but have failed to match its scope, most notably the Wynn

Macau which unsuccessfully attempted to emulate the worldwide notoriety of the Bellagio fountains with one of its own.

As Macau has prospered, other casino destinations in the rest of Asia have been slow to catch up, often being hampered by legislative issues in their respective countries which prevent them from appealing to higher income clientele.

But as casino gambling becomes more and more lucrative in Macau, other jurisdictions are increasingly rewriting legislation to a more inclusive bent, opening the door for other resorts to get a piece of the VIP action.

Vietnam recently launched a pilot scheme to allow its citizens to gamble in its casinos as a way of generating revenue to reduce the country’s growing national deficit. This has been seen by many as a first step in legalising gambling in the country.

The possibility of the legalisation of gambling in Thailand, with its high proportion of foreign visitors and low currency exchange value could prove disastrous to Macau’s revenue.

The legalisation of casino gambling in Japan last year has prompted a global flurry of activity in the gambling industry, with big players like Wynn Resorts, MGM and

Las Vegas Sands all bidding for licences to develop casino resorts in the country. The emergence of such a player could start a power shift in the region.

Lee thinks that Macau could suffer as a result: “Players are always looking for new experiences and new places, and countries like Vietnam and Japan happen to be popular holiday destinations at the moment. It is all the same pie. When China shut down its visitors pipeline to Korea, Macau benefited. When monitoring began in the US, the players went to Australia. Since the arrests of the Crown staff in China, the players have also ceased visiting Australia in the numbers they used to, with the biggest beneficiary being Macau. Logically the reverse will happen if new jurisdictions open up.”

The threat of loss of revenue to any of these emerging jurisdictions could serve as the catalyst toward innovation and expansion.

Ultimately, Macau’s destiny as a resort lies in its own hands, it has already done much of the work to become Asia’s premier gaming hub but there must be a concerted push by existing investors and casinos to ensure that this status is preserved, especially as new resorts spring up.

GUEST COLUMNIST:



TRISTAN MCDONALD
MANAGING DIRECTOR, I-POOLS

A FRESH APPROACH TO SOCIAL SPORTS BETTING
McDonald talks about the new i-pools platform, an “infinitely configurable” sports betting solution

What is i-pools?

i-pools is a business which provides a platform for sports and betting fans to play against each other on sports events, in more strategic, gamified betting formats. It's a social, peer-to-peer network that provides betting formats that are more fun, but still skilful. We aim to capture the right element of skill and luck with our game types, in a manner that gives everyone a chance but still gives players the feeling that if they put the work in, they can give themselves an edge.

The idea for i-pools stems back to the world of online poker. We started out trying to come up with ideas for games that poker players might like to play on the side. A lot of punters like to play games that are more strategic than fixed odds betting with bookmakers, it's a social thing in the same manner that poker is. In a similar way to how FanDuel and DraftKings have both evolved out of the online poker markets in the US, we developed our ideas in parallel with that. While we hadn't heard of them when we were pulling our ideas into a business model, it is the same core idea. We did identify some issues with that, however – FanDuel and DraftKings game formats are quite complex and rather samey, with the same scoring system and basic format for all sports. Players feel like they need to be a bit of an expert. We feel that there is too much skill, which leads to the same problems you have in a poker economy or a betfair economy, where half a percent of the players win in the long term. We are trying to offer a more sustainable and fun version of that, with a longer-term view of how to keep players around rather than see them cashing out.

How have you been marketing i-pools, and what has the reaction from punters been like so far?

The truth is that we haven't really been marketing i-pools for a couple of reasons, one of which being that we don't have millions of pounds to spend on a marketing campaign, but more importantly because our vision is to build a network. We want to help operators' customer bases create more revenue and have more engaging content, on a revenue sharing basis.

We are looking to B2B partnerships to extend our network and build our customer base, and ultimately become the software that

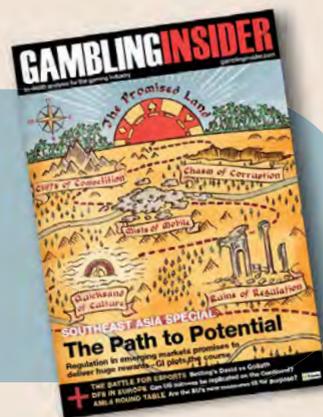
sits behind other people's customer bases and brand. We recently signed the first such partnership with Telegraph Media Group, in launching Telegraph Predictor. Most betting platforms these days are far more focused on marketing and customer retention than how good their betting software is. We aim to be the gaming software that allows other people to monetise their marketing strategies.

One of the greatest strengths of i-pools is its flexibility, given that it is infinitely configurable. We set up our platform to be able to deliver any game format, any rules and with any number of players. We are not aiming to turn the i-pools website itself into a major B2C operator – the website is our relatively unbranded shop window, to show potential B2B partners the functionality that is available. Our main focus is on growing that network. That said, it is a functioning, live business with an active and growing customer base.

What are the main challenges you've faced in getting i-pools to this point?

The gambling industry is a notoriously difficult industry to break into. It hasn't historically seen a great deal of successful innovation, few things that get put out there stick and become part of the mainstream. Just breaking into what is something of a mature market, certainly in the UK, presents difficulties. We find ourselves in the position of trying to provide some solutions to what we feel to be the some of the weaknesses with the DFS model, in that it is very vertical and samey. To be successful in that world, you need to have long-term customer engagement. You need to have variety, to be relevant at all times, and I think it is difficult to have a long term DFS model that is one size fits all.

The cost of acquiring customers is also an obstacle. Any company attempting to shout louder than the Ladbrokes or Bet365s of this industry is looking at a very expensive way of creating value. We wouldn't have been in a position to compete in that way, and so building a network was a no-brainer. I think there is really only room for one shared liquidity network. In the long term, we see ourselves as a partnership business, effectively a service partner that operates on a shared revenue basis. It is very difficult for a Bet365 or a Ladbrokes, or even a standalone brand like Oulala to be the single market solution. What would benefit them all is to have one platform provider that they can share in whatever manner they want, avoiding separate development and set up costs and taking the risk out of the decision. We don't want to be a standalone business competing with them, but a partner that provides something that the customers of these brands are after.

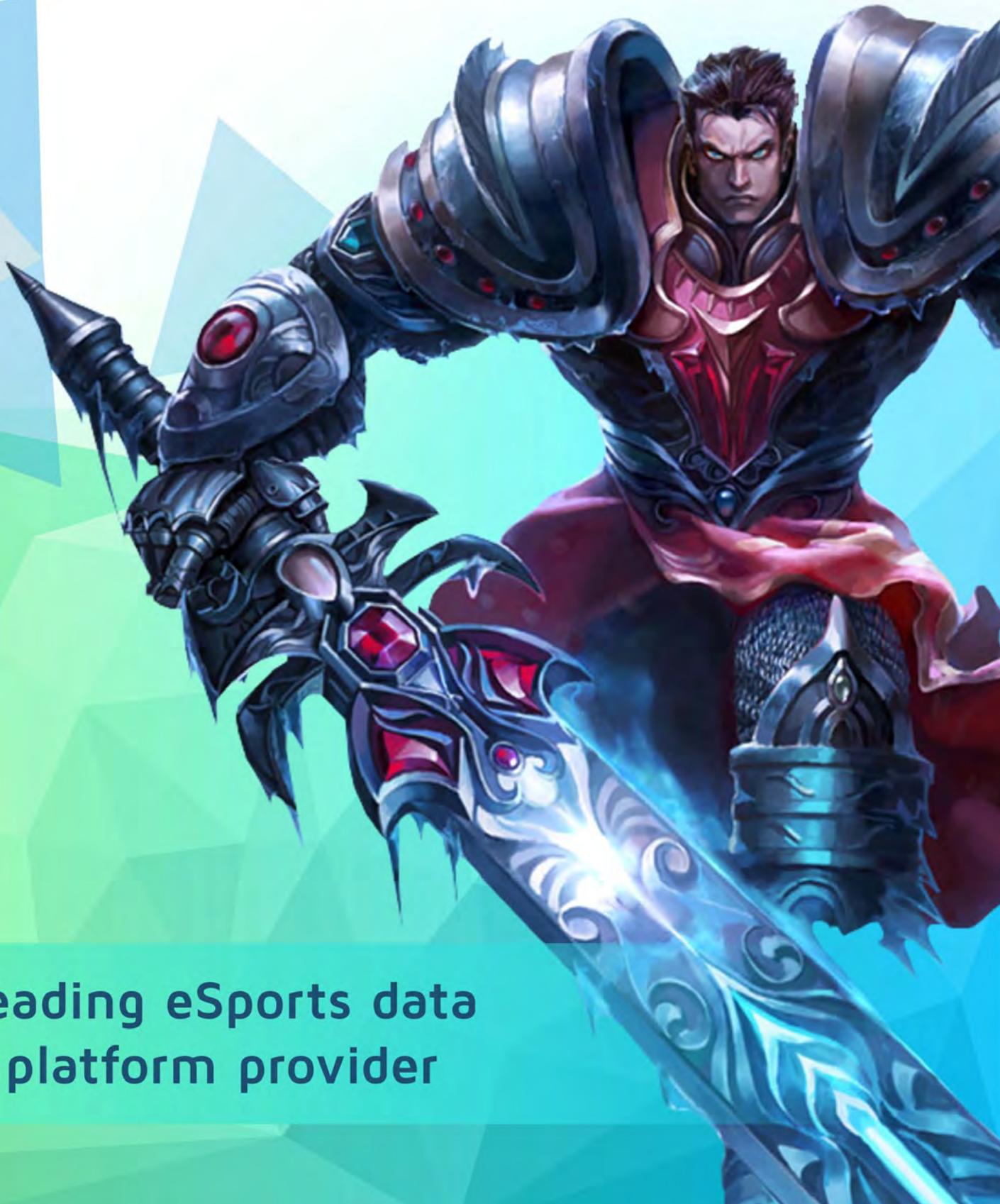


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