



WEEK 33

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THIS WEEK

- **First ever skin gambling licence issued**
- **Nagacorp eyes up Australia's Gold Coast**
- **AGA reveals new responsible gaming code**
- **Galaxy Gaming's revenue up, investment hits profits**
- **Guest Columnist: Vladimir Polakov Senior Market Researcher, ECommPay**

PENNSYLVANIA CLOSER TO IGAMING AND DFS BILL

The Pennsylvanian State Senate set to fast-track online gambling discussion in September 2017



Legislators in Pennsylvania will prioritise the institution of a bill to legalise online gambling and DFS in the state when the Senate returns for its next session in September.

The state is considering these measures as a way of generating much needed revenue, however the inclusion of video gaming terminals within the new package is proving to be a major sticking point, preventing the legislation from moving forward.

Video Gaming Terminals (VGTs) are to be included along with several other regulatory issues in a Senate Law & Justice Committee meeting which is scheduled for 19 September.

Pennsylvania Senator Chuck McIlhinney, who chairs the committee recently issued a statement on his website which outlined the issues at stake: "I guess we should thank the House for bringing this issue to light, though I find it disturbing that members of this legislature may have known about possible illegal gaming machines and done nothing about it.

"I think it is important that we show the people of Pennsylvania we can address the



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BETCONSTRUCT

WHO WILL SIXTY OF THE INDUSTRY'S TOP EXECUTIVES VOTE THE WORLD'S BEST?

THIS WEEK IN NUMBERS

170



Gaming tables in Bermuda's first proposed casino development

6

The number of additional ARC Racecourse to partner with William Hill

problem of illegal VGTs before we talk about adding 55,000 new machines into venues across the state," McIlhinney continued. "These hearings are an important first step in that process."

It is highly likely that the issue of VGTs may be taken off any final bill, in order to allow for the passage of the potentially more lucrative online gaming and DFS legislation, but supporters of the terminals are not giving up the fight.

Representative Mark Mustio, who has been the strongest advocate for VGT legalisation in the state recently told the *Delco Times* newspaper: "Why would our governor and some legislators coldly turn their backs on the hardworking smallbusiness owners who have elected them into office? "Consider the million-dollar ad campaigns being run by Las Vegas casinos. Casinos don't want to share an inch of the playing field with small businesses and are in fact lobbying hard to silence them completely. Don't let them silence you!"

KEY POINTS

- Video gaming terminals holding up progress in Senate
- Committee to discuss in September
- Opposition remains undeterred

ESP.BET OBTAINS FIRST-EVER LICENCE FOR VIRTUAL GOODS GAMBLING

Industry-first licence will legalise skin betting

Specialist eSports fantasy league and betting site eSportsPools (ESP. bet) has secured the first-ever licence to specifically cover gambling with virtual goods.

ESP.bet obtained the permission through the Isle of Man's Gambling Supervision Commission. It granted the eSports-focussed website the consent to run real-money and virtual-goods games from its main domain, whilst the *Esportspools.com* site will remain a free-to-play platform.

Additionally, this unique licence will enable ESP.bet to process cryptocurrency transactions, meaning the company

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\$600M



The total revenue milestone surpassed by New Jersey's iGaming industry

16.1%



The increase in Q2 revenue for Full House Resorts

\$500K



The amount donated by Disney to limit gambling expansion in Florida

12



The number of casinos in Pennsylvania which are no longer required to pay quarterly disbursements



55,000

The stadium capacity of SportPesa's new PSL partners Cape Town City FC

can handle deposits and pay-outs in digital currencies such Bitcoin.

Scott Burton, Chief Executive of ESP.bet commented: "To date, eSports betting and the gambling of virtual goods has largely been a grey market, with a lot of unregulated operators failing to protect their customers. We've always taken a more transparent approach, undertaking 'know your customer' checks to verify age and running a really clear game system.

"With this licence, that work has been validated and I feel like we have taken the first step towards building a regulated marketplace that is safe for consumers, businesses, and investors."

On his behalf, Alex McNee, licensing specialist and a Director of Boston Multi Family Office, the service provider that managed the application, pointed out the bright future ahead of this segment of the gaming industry.

"Global revenues in eSports are now tipping past the \$1bn (€850.3m) a year mark and we know the industry still has a lot of growth ahead of it. As the betting markets for this industry mature, operators are going to have to be licensed to ensure long term growth, and that licence will need to cover areas such as digital currencies and virtual goods.

"The Isle of Man's recent inclusion of these assets into their regulations is a huge step forward, which has now been made real by the granting of ESP.bet's licence," he added.

restructuring, the company is expected to exit this difficult period in the third quarter this year, with part of this strategy focussing on real estate investment as well as expanding into foreign markets. However, this particular avenue of hope quickly disappeared when the project was dismissed for environmental concerns.

Despite the previous failure, NagaCorp is committed to advance negotiations with local residents and to proceed with its brand-new integrated resort project. Further details on the investment or/and dates are still unknown.

AMERICAN GAMING ASSOCIATION UPDATES RESPONSIBLE GAMING CODES

AGA looks to modernise its code of conduct

The American Gaming Association (AGA) has issued an updated and modernised code of conduct on responsible gaming, following the success of its 2017 Responsible Gaming Week.

The updated codes include provisions on employee assistance and training, alcohol service, the provision of casino games in person and online, and casino gambling advertising and marketing.

The new code is split into three sections, a "pledge to our patrons", a "pledge to its employees" and a final "pledge to the public".

In its pledge to its patrons, the AGA says that it will: promote responsible gaming, prevent underage gambling and unattended minors in casinos, serve alcoholic beverages responsibly and advertise responsibly.

Its pledge to its employees/members, which comprises a cross-section of the gaming industry's biggest firms, includes pledges to educate new employees in responsible gaming, provide annual or periodic training, implement communication programmes targeting responsible gaming and increase awareness of responsible gambling related issues.

The final pledge to the public includes a commitment to work with stakeholders, continue research into gambling-related issues and promote best practice in gaming.

In a statement released with its new

NAGACORP INTERESTED IN EXPANDING IN GOLD COAST

NagaCorp looks to capitalise on ASF's knockback

Cambodian casino operator NagaCorp has reported its growing interest in the vacant casino license in Australia's Gold Coast. After the local government and residents of Queensland rejected earlier this summer a AUD\$3bn (\$2.3bn) project proposed by China-listed ASF Consortium, the Cambodian casino operator now has set its sights on Cairns.

It was believed that Caesars Entertainment would have been responsible for managing the integrated resort. After taking heavy bankruptcy



—19—



The number of Crown Resorts employees now released by China



The amount unclaimed in Nigeria's Affro Lotto record opening

code, AGA's Senior Director of Gaming Policy Elizabeth Cronan, said: "Our commitment to responsible gaming has never been higher and that's reflected in our updated Code of Conduct on responsible gaming.

"We know that responsible gaming is an issue that must be top of mind industry-wide for all employees, every day."

GALAXY GAMING REVENUE UP 19% BUT OVERALL PROFITS DOWN IN Q2

Galaxy Gaming see modest profit fall due to reinvestment

Las Vegas-based table games supplier Galaxy Gaming has reported a year-on-year revenue increase of 19% in the second quarter of 2017.

Company revenue for Q2 amounted to \$3.65m in comparison to Q2 2016 when the company reported revenue of just over \$3.05m.

However Galaxy also reported a pre-tax loss of \$93,000 in comparison to pre-tax income figures of \$846,000 in Q2 2016. In addition the company's adjusted EBITDA figure dropped by 15% from \$1.3m in Q2 2016 to \$1.1m

in the second quarter of 2017.

In a statement released with the figures, Galaxy Gaming CEO Todd Cravens, who has only been in charge of the firm for less than a month said: "Our year-over-year revenue growth of 19.4% was very strong,"

"Consistent with statements made in our Q1 2017 earnings press release, near-term investments in our sales, marketing and compliance resources are negatively affecting affect our profits. However, we continue to believe that those investments are necessary to position us for sustained growth over the long-term."

Harry Hegarty, the Company's Chief Financial Officer added:

"We had a small net loss in Q2 and a small net income for the first half of 2017.

"But cash flow remains strong. We generated nearly \$1.3m in cash from operations in the first half and paid down over \$600K in debt. In addition, in August, we paid down another \$460K in debt.

"Our pro forma leverage ratio, at 2.0x, is very manageable."



KPMG eGaming Summit 2017

CAESARS UP ON LAS VEGAS STRIP

July, which had nine Fridays and Saturdays this year versus 10 last year, continues to be a mixed bag for US regional gaming revenues.

Connecticut and Massachusetts grew slot revenues year-over-year, with Penn National's Plainridge Park in Massachusetts posting its highest revenue total since the property's first full month of operation back in July 2015.

Plainridge Park also had a record \$194.626m slot coin-in for the month.

Atlantic City land-based casinos grew same-store revenue 2.87 percent.

Pennsylvania slipped 0.51 percent as table revenues failed to offset slot revenues' tenth straight month of declines.

US STOCK UPDATE

Below is a list of stocks that high 52-week highs this week:

COMPANY	52-WEEK HIGH AS OF WEDNESDAY
MGM Growth Properties	\$30.83
Tropicana	\$47.10
Table Trac	\$1.90

Property	Table hold %			
	July Revenue (\$m) (% change y-o-y)	2017	2016	
Atlantic City				
Resorts	\$20.446 +14.40	20.1	11.8	
Tropicana (TPCA)	\$37.500 +12.94	18.7	18.7	
Harrah's (CZR)	\$36.613 +7.03	16.4	18.6	
Bally's AC (CZR)	\$22.826 +5.26	15.7	15.1	
Caesars (CZR)	\$32.740 +4.85	15.5	15.6	
Golden Nugget (Landry's)	\$20.800 -2.56	13.8	15.2	
Borgata (MGM)	\$76.341 -5.55	16.6	19.7	
BorgatTrump Taj Mahal	\$0.000 -100.00	0.0	15.6	
AC Total	\$247.267 -4.13			
AC Same-Store	\$247.267 +2.87			

Property	July Revenue (\$m) (% change y-o-y)	
Multiple Property companies:		
Caesars	\$92.180	+5.81
Connecticut		
Mohegan Sun	\$55.850 m	+3.41 percent
Foxwoods	\$42.600	-3.58
State total	\$98.450 m	+0.27
Pennsylvania		
Philadelphia		
Parx (Greenwood)	\$49.918	+4.69
SugarHouse (Rush Street)	\$24.610	-1.81
Valley Forge Casino Resort	\$9.890	-4.81
Harrah's (CZR)	\$22.937	-4.94
Philadelphia total	\$107.354	+0.09
Northeast PA:		
Mt. Airy	\$19.814	+13.62
Sands Bethlehem (LVS)	\$47.060	-3.72
Mohegan Sun	\$22.568	-5.94
Northeast PA total	\$89.442	-0.96

Property	July Revenue (\$m) (% change y-o-y)	
Massachusetts		
Plainridge Park (PENN)	\$15.442 m	+11.27
Pittsburgh		
Rivers (Rush Street)	\$29.937	+1.82
The Meadows (PNK)	\$23.239	+0.33
Pittsburgh total	\$53.176	+1.17
Elsewhere		
Hollywood (PENN)	\$21.775	-1.43
Lady Luck Nemaocolin (ERI)	\$3.328	-4.99
Presque Isle (ERI)	\$11.906	-6.43
State total	\$286.980	-0.51
Multiple properties		
Rush Street	\$54.547	+0.15
Eldorado Resorts	\$15.234	-6.12

GUEST COLUMNIST:



VLADIMIR POLAKOV SENIOR MARKET RESEARCHER, ECOMMPAY

BALANCING CONVENIENCE AND SECURITY IN ONLINE PAYMENTS

The past decade has seen a huge shift from land-based to online casinos, with annual revenues from online gambling reaching \$38bn billion in 2015 and forecasted to surpass \$60bn in 2020.

Entrepreneurs looking to capitalise on the digital gambling trend propel the industry forward, introducing innovative products, technologies, and services to attract new customers. As a result, the market grows increasingly competitive and market players turn to capable payment partners to gain an advantage against competitors.

In facilitating a direct connection between gambling operators and their customers, the payment process becomes an important feature of a strong payments strategy.

Building a bridge between merchant and consumer

Online gambling operators must ensure quick, secure, and convenient processes to both accept payments and to issue payouts. Choosing the most appropriate payment methods will depend on the following criteria:

- Geography – payment methods can vary by location and accessibility. To reach your target audience, ensure you have the relevant local and international systems available.
- Timing – some payment methods, such as mobile carrier billing or e-Wallets, can offer instant deposits, whereas cryptocurrencies or banking transfers may take up to several days. Ensure your set of payment instrument suits your business model.
- Security – fraudulent incidents lead to financial losses. Identify the potential risks of particular payment systems to negate them before they arise.
- Value – the only thing more diversified than the global payment landscape is the price of payment instruments. Choose the best options in terms of price/relevance and make sure to account for the costs of integration and the IT expertise required.
- Relevance – even if some payment methods are extremely popular

in certain regions, they might not be relevant to your business model or gambling product. Identify the requirements of your target audience and select your payments portfolio accordingly.

Conversion by design

The payment page is the final step of the customer journey. To ensure that customers follow through with their bet and complete their payment, the payment page must combine brand recognition, e.g. same colour scheme, font, theme, etc. as the merchant website, with a simple, intuitive user interface.

For maximum coverage, the payment page should furthermore be adapted to all possible devices, including desktop, mobile, tablet, and console. An experienced payment provider is capable of running A/B testing on the client's behalf, selecting the combinations most conducive to increased conversion.

When exploring the technical features targeting high conversion rates, gambling operators must thoroughly investigate the available products. Though the single click payments option can significantly increase the volume of successful transactions, for example, the feature offers limited security measures, increasing the merchant's vulnerability to fraud. Features such as cascading and smart routing do not carry the same level of risk, though both can dramatically boost conversion by re-attempting failed transactions or effectively routing card payments.

Security measures are often seen as a necessary evil, curbing fraud at the expense of lower conversion. However, improper defences can lead to financial losses by contributing to the higher rates of fraud and chargebacks. By investing in a comprehensive risk management system and ensuring that its filters are adjusted in accordance with the payment behaviours of the intended gambling audience, gambling operators can recognise and negate potential fraud before it arises.

To establish reliability, merchants should enable effective communication with consumers to resolve any payment issues. Before claiming a chargeback, banks require users to attempt to solve the issue with their service provider. In providing live chat, 24/7 support, or other means of instant communication, operators can settle disputes directly and protect against avoidable losses.

Payments are the conduit through which online gambling operators generate profits. By carefully constructing a comprehensive payments strategy to defend against potential risks, ensure a convenient customer journey, and delicately balance targeted conversion with security, operators will improve their payment performance and propel their gambling business to new heights.

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