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## FRIDAY

### 200<sup>TH</sup> ISSUE

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## THIS WEEK

- **UK uncertainty stymies GVC's bid for Ladbrokes**
- **Catena Media sees huge revenue hike**
- **DraftKings to launch new service in Ireland**
- **China blocks outgoing investment in gaming businesses**
- **Guest Columnist: Greg McCulloch, CEO, Aegis Data**

# WEEK 34

## FRIDAY 25 AUG 2017

## GEORGIA AIMS TO BLOCK GAMBLING AMENDMENTS

*Republicans voted unanimously to prevent any casino or horseracing bills reach Senate*



The Georgia Republican party has voted unanimously against any future casino or horseracing bills which are put to Senate vote this year. The state's branch of the US Republican party aims to prevent the expansion of the gaming industry, raising concerns over alleged close links between gambling and crime.

The conservative political group said that this resolution aims to protect Georgia's residents from the general threat of gambling. Although it hasn't mentioned any studies or statistics, the 'grand old party, as it known in the US, claims that gambling activities are responsible for an increase in crime and divorce rates.

The resolution voted on by members of Georgia's 'Grand Old Party' (GAGOP) states that "the members of the Georgia Legislature to cease and desist with any efforts to open the State of Georgia to casino and horse racing."

"The state should not have a vested interest in predatory activities such as gambling for the sake of filling state coffers at the expense of ruined lives and broken families," read in the official motion.

Moreover, this restrictive resolution might also include tribal casinos, which are currently not allowed in Georgia. Party officials suggested that they felt the



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# THIS WEEK IN NUMBERS

## \$764K



Revenue generated by New York poker rooms in the month of July

## \$23B



The estimated betting turnover of eSports by 2020

## 73%



The increase in revenue for NYX Gaming Group in Q2



The net profit of NagaCorp as shown in their H1 report

legalisation of casino gambling might allow Native American tribes to force reservation casinos on local communities saying that they did not want to allow “for any Indian tribe to venue shop for property to open casinos”.

Georgia gambling laws are already relatively strict: they prohibit wagering on horse or dog races, or casinos of any kind. Dog fighting, chain letters and pyramid clubs are also forbidden in the Southern state. In fact, the only type of gambling explicitly allowed is raffles for charity organisations.

Although Georgia runs its own state lottery, most of the money collected goes to social funds. It helps to support the HOPE Scholarship, a scholarship program established in 1993 that pays for students’ fees in state colleges and universities as well as funding the public pre-K programmes around the state.

### KEY POINTS

- Claims over gambling has close links with an increase in crime and divorce rates
- New legislation aims to protect citizens from the general threat of gaming
- Resolution also includes to any tribal venues

### CATENA MEDIA GROUP REVENUE JUMPS 78% IN H1 2017

**The number of new depositing customers increased year-on-year by a record 115%**

Sweden-listed affiliate provider Catena Media has reported a 78% increase in group revenue for the first half of 2017, compared to the same period prior year.

In its first half yearly update of 2017, Catena revealed H1 group revenues of €30m, which almost doubles the corresponding H1 2016 figure of €17m.

The firm’s operating profits also grew in the January-June period, rising 45% from its H1 2016 total of €8.25m to gross operating profits of €12m in the corresponding period of 2017. Additionally, EBITDA experienced a similar jump, rising 55% from a H1 2016 figure of €8.66m to an H1 2017 figure of €13.49m.

Part of this success can be attributed to Catena’s acquisition strategies. The number of new depositing customers increased year-on-year by a record 115% rising from 79,851 in H1 2016 to over 171,643 new depositing customers in the first half of 2017.

In a statement released with the financial results, Catena Media CEO Robert Andersson said in an official statement: “We remain optimistic on our strategic, operational and financial development, and are confident that we will continue to grow in the same successful way, both through organic growth and through acquisitions across existing and new geographic markets.”

Responding to the speculation Andersson added: “Catena Media adheres to strict compliance standards regarding the operators to whom it supplies traffic through its affiliate network and operates in compliance with applicable laws.”

### DRAFTKINGS LOOKS AT IRELAND TO EXTEND ITS SERVICES

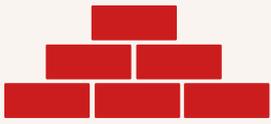
**The US daily fantasy sports firm aims to start operating before the end of the year**

US daily fantasy sports (DFS) firm DraftKings has confirmed its interest in launching its gaming services in Ireland. The American fantasy sports giant has set its sights on the island to expand its portfolio over the coming months, according to local media reports.

DraftKings Chief International Officer Jeffrey Haas announced last week the company’s plans to roll out its gaming services before the end of the year. Has confirmed that the company directors have already attended meetings with government officials; however, he declined to give any further information surrounding investment figures.

“There’s no relevant, local regulation that covers our activities. So, we wanted to speak with Irish Revenue in respect to their tax review to explain our position and how we intend to enter into the market. Let’s see how our (Irish) business becomes established and grows over time,” Haas said.

60,000



The area in sqft to undergo renovation in the Palazzo Vegas

15.5M



The people who visited Macau in the first half of the year

\$110M



The annual tax bill for freeplay being disputed by the Seneca Tribe in NY

5%



The proportion of William Hill bought by Silchester Investors

76,000



The number of attendees at last year's Ladbrokes Challenge Cup

The news comes a few weeks after rival FanDuel announced its exit from the UK market. Late in July, in an e-mail sent to current players, the company said that it will not be offering its services for the forthcoming season, with a full refund being offered to its clients. The shock announcement came after FanDuel has only launched back in August 2016 after striking a partnership deal with sports data provider Opta.

## CHINA TO RESTRICT INVESTMENT IN OVERSEAS GAMBLING INDUSTRY

### Beijing tightens rules on foreign investment

China has now released a list of what it considers the "right" type of organisations for outbound investment, on which gambling is not included. The new rules from Beijing prohibit investment from China in the gambling industry as well as in military technology or anything that endangers national security, whilst it encourages empowering projects which strengthen Chinese infrastructure.

Gaming has been listed among several industries where Chinese investments in overseas ventures are now banned. Other industries include property, hotels, entertainment, sports clubs and film studios; although authorities did not give full details on how these restrictions would be enforced.

In documents released by the Chinese State Council on Friday, the council said: "the guideline also prohibits domestic enterprises being involved in overseas investment that may jeopardise China's national interests and security, including output of unauthorised core military technology and products, gambling, pornography and other prohibited technology and products."

Amid concerns that some of the companies involved may be taking on too much debt by investing overseas, the council said: "There are great opportunities for our nation's companies to embark on foreign investment, but they also face numerous risks and challenges."

## GCV £3.6BN OFFER FAILS TO PERSUADE LADBROKES CORAL

### Negotiations break down due to the uncertain future of FOBTs

The £3.6bn takeover of UK bookmaker Ladbrokes Coral by online gambling group GVC hit a snag last Wednesday, as the two companies ended talks.

This is the second time GVC has approached Ladbrokes Coral with an acquisition offer. In December 2013 the firms failed to merge due to a disagreement regarding the valuation of the companies. According to the *Financial Times*, GVC's proposal valued Ladbrokes Coral at roughly 140p a share, or £2.7bn, with a potential uplift of 50p per share based on the outcome of the UK Government's Triennial Review.

Key to this is a rumoured crackdown on fixed odds betting terminals, which make up a significant part of Ladbrokes Coral betting shop revenue.

Speaking to *Gambling Insider*, Lorien Pilling, Consultant at Global Betting and Gaming Consultants, said that the timing of the deal was always against it.

"Firstly, the dust has barely settled on each side's respective recent mergers (Ladbrokes-Coral; GVC-Bwin.Party) Ladbrokes Coral announced just at the end of July 2017 that savings from the merger have been upgraded to GBP 150 million by 2019. This is apparently more than twice the original estimate. It is understandable, therefore, that Ladbrokes Coral's management would be more confident about making a success of the merger and the eventual valuation of the new company after all integration has been completed.

"Secondly, the regulatory situation in the UK gambling sector is murky at the moment. This was seemingly reflected in the GVC bid which contained an element that was based on the outcome of the Triennial Review.

"But it is this very regulation that is driving the need for scale and the M&A activity. So it is understandable why gambling companies are in discussions. Activity could pick up again towards the end of 2017 and into 2018, assuming issues like machine stakes and advertising are clarified – for good or bad – in the Autumn," Pilling said.



# KPMG eGaming Summit 2017

Villa Marina, Isle of Man  
7 September 2017

[kpmg.co.im/eGamingSummit](http://kpmg.co.im/eGamingSummit)

## DATA CENTRE

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### AC SECOND QUARTER PROFITS UP

Atlantic City's remaining casinos grew second quarter operating profits by 11.1% over last year, to \$169.395m.

In fact, the only property not to post year-over-year growth was Caesars' Harrah's, which saw profits slip 14.7%.

Hotel occupancy at the casinos increased by 6.9% to 85.8% for the first half of the year.

First-half casino revenue also rose 2.4% to \$1.238bn, which offset a 5% decline in hotel revenue to \$183.871m.

### US STOCK UPDATE

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

COMPANY	52-WEEK HIGH AS OF WEDNESDAY
TransAct	\$10.43
Golden Entertainment	\$22.33
Tropicana	\$47.20

Casinos	Operating Profit (\$m)	Year-over-year change
Tropicana AC (TPCA)	\$18.848	+ 92.6%
Golden Nugget (Landry's)	\$10.770	+62.9
Caesars (CZR)	\$25.471	+19.8
Borgata (MGM/BYD)	\$68.009	+16.3
Resorts	\$5.530	+6.2
Bally's AC (CZR)	\$11.430	+1.2
Harrah's (CZR)	\$25.953	-14.7
<b>iGaming:</b>		
Caesars	\$2.074	-24.1
Resorts Digital	\$1.310	N/A
Total	\$169.395	+11.1 %

## BETTING ON SPORTS CONFERENCE Q&A WITH SBC MANAGING DIRECTOR, **ANDREW MCCARRON**

**12-15 SEPTEMBER**  
**OLYMPIC CONFERENCE CENTRE, LONDON**



**Why did you think it was so important to create an event that solely focuses on everything related to sports and betting?**

The sports betting industry stands apart a little in the gambling industry, in that it is very easy to lose a lot of money if you don't do it correctly. There's no house edge like for other gambling products, unless you're talking about pari mutuel. For that reason alone it needs extra attention and focus in order to be able to do it correctly.

It is also ridiculously dynamic. Sport is constantly moving and keeps betting on its toes as the industry has to keep up in order to appeal to its customer base. As a dynamic business, things are changing all the time and it is important for companies to keep ahead of the pack.

Plus the betting sector is a real community, which gets somewhat dispersed at the larger events. We wanted to put on something that retains the intimacy of the industry and where everyone you connect with will have an interest in sports betting.

**What makes this event a must for attendees?**

I don't think there's ever been a concentration of sports betting industry professionals quite like it. We have around 170 people sharing their expertise over the two days of the conference and high quality networking events which mean that meeting the right people is easier than ever before.

**What will be some of the main topics or industry issues that will be discussed?**

Where to start? We have 43 conference sessions that we've split into eight different tracks. This means we have tracks dedicated to eSports, horseracing, innovation, regulation, data and affiliates. In the grand main auditorium we are also tackling the weighty issues.

On day one we have the Leaders in Betting Track which has broken down the panels into the different functions of a sportsbook. This includes trading, marketing, legal, social responsibility, product, affiliates and our popular CEO Panels.

Our second day focuses on different sports, including cricket,

tennis, rugby, boxing, basketball and a look ahead to next summer's World Cup Finals in Russia.

**You have essentially doubled in size every year, why do you think this is and do you think this trend will continue?**

I think we've benefitted by word of mouth. You don't double in size without people coming away from your events saying positive things about what we have been trying to achieve. Also we've been putting far more resources into the events side of the business, and

that is showing in the increased quality of experience that people are getting at SBC Events. It's only three years since we launched our first Betting on Football Conference, and the audience increased tenfold in that time.

Whether it will continue, well it would be a bit presumptuous to say at this stage, but I suppose I can reveal we are already looking at a bigger space for the event next year.

**What's new this year at Betting on Sports that hasn't been at any of the past years' events?**

After listening to feedback from the first Betting on Sports, we've relocated to a dedicated conference space - the Olympia Conference Centre - and we have our sessions and enlarged exhibition all on one floor which should help the flow considerably.

And we have the spectacular Official Networking Party at Altitude 360 at the top of Millbank Tower. It's a venue that will truly take your breath away.

**What are some of your personal highlights at the show?**

**We wanted to put on something that retains the intimacy of the industry and where everyone you connect with will have an interest in sports betting**

I'm particularly looking forward to what Paris Smith of Pinnacle is going to share on our CEO Panel and with everything that has been going on between Betting and horseracing of late. I can't help but feel that the Betting on Racing Track is going to feature some very interesting discussions. Also cricket legend Michael Vaughan will be appearing on the Mr Green stand on the first day. I'm looking forward to meeting such cricket royalty. requires a robust, high performance data centre to support it. Online gambling businesses must therefore partner

## GUEST COLUMNIST:



**GREG MCCULLOCH**  
CEO, AEGIS DATA

**DATA CENTRES: THE BEATING HEART OF THE ONLINE GAMBLING WORLD?**  
*With the iGaming sector expanding exponentially, McCulloch discusses the importance of data centres in the development of the industry*

The online gambling industry is experiencing a period of unprecedented growth, with worldwide accountancy firm KPMG recently reporting that the market is expected to grow at a Compound Annual Growth Rate (CAGR) of 10.6% in 2017, to a global valuation of £30.6bn.

Online gambling is already the largest part of the British betting industry, with a 33% market share. As a consequence of this growth it is essential that online gambling operators offer exceptional performance to users developing platforms that can operate at high-speed even when under pressure during surges in demand, for example, during high-profile sporting events. It is because of these very specific requirements that the data centre industry has become so critical to the industry's success.

Data centres provide a resilient and flexible platform for an online gambling service, allowing firms to process, manage and store critical data. Any potential downtime can cost up to £30,000 per minute, so operators must rely upon data centres to make sure services, such as websites and applications, continue to run smoothly.

User experience is also crucial as people have become accustomed to high-speed, seamless performance with no delay or lag from their favourite websites. If an online gambling website takes a long time to load, users may become frustrated and opt for another site, seeking a better experience elsewhere.

Operators must select a high-performance data centre to avoid these issues; however, in recent years the number of data centres has grown exponentially, so it may be difficult for businesses to know which facility is right for them. In the light of this choice, there are some key factors that online gambling operators must consider when selecting a data centre provider.

A seamless, unhindered user experience depends on high-speed connectivity. As online gambling often relies on instant information, whether it's a point won in tennis or a goal scored in football, it is essential that data centres

offer exceptionally fast, fibre connections to key internet exchanges.

Recent years have seen an evolution in data centre technology, with the latest key innovation to emerge being High Performance Computing (HPC), which enables contiguous stacking of racks of servers without requiring additional power or cooling. This innovation enables online gambling operators to maximise their rack space without a corresponding increase in the cost of their data centre service. HPC offers online gambling operators much higher performance at lower relative cost, in addition to greater efficiency as well as the flexibility to grow and expand its physical footprint.

The significant growth predicted in the online gambling market may mean that operators need to rapidly scale their capabilities to handle additional traffic and users. Online gambling businesses must select a data centre provider that has the available infrastructure, power headroom and cooling capacity that enables them to deploy additional servers to meet this demand.

However, operators may require the flexibility to move up and down depending on usage, as the nature of the industry means frequent surges in demand. Online gambling operators must select a data centre provider that offers a rate based on power consumed per kW hour, to ensure that online gambling businesses only pay for the services that they use.

Online gambling operators must also consider the location of any potential data centre provider. Location can be a significant contributor to the cost of data centre space, as facilities in the middle of cities can have much higher property costs combined with a lack of space to grow in tandem with their customers' business.

Data centres positioned outside major cities can offer much lower-cost environments, with no shortage of power or connectivity, and present an ideal option for online gambling businesses looking to cut their costs.

A seamless, top quality online gambling experience requires a robust, high performance data centre to support it. Online gambling businesses must therefore partner with a data centre that can offer them the connectivity, technology and scalability they need to operate as efficiently as possible, with the capacity and infrastructure to handle the shifting demands of the online gambling industry and to enable operators to expand their business.

# JULY/AUGUST ISSUE OUT NOW

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