



WEEK 39

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IOWA TRIBE SECURE ONLINE GAMING LICENCE

Isle of Man issue licence, tribe becomes first to expand into Europe's online market

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THIS WEEK

- **Compulsory gaming tax mooted by Labour Party**
- **Camelot secure Illinois Lottery contract**
- **Japanese snap election to delay IR decisions**
- **Real Madrid choose Betcart as betting partners**
- **Guest columnist: Peter Causley, CEO, Lightning Box Games**



The Iowa Tribe of Oklahoma has announced that it has secured an online gaming licence in the Isle of Man, marking the first time that a US tribal operator has entered the international online gaming market.

Ioway Internet Gaming Enterprise Limited, an Isle of Man company operated by the tribe, was issued an online gaming licence less than two years after it first announced its intent to operate an international online gaming website from its tribal lands located within the exterior borders of the State of Oklahoma.

This licence award means that the Iowa Tribe can now begin to operate an online poker site from its base in Perkins, Oklahoma as supported by its gaming compact with the State of Oklahoma.

In November 2015, an arbitrator held that the Iowa Tribe could offer internet games to players located outside the United States, where it was lawful, if they were approved under the tribe's compact with the State of Oklahoma and offered from ▶

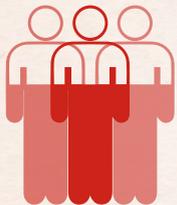


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THIS WEEK IN NUMBERS

55%



Percentage of Americans in favour of sports betting legalisation



Number of bids made for casino development in the Russian region of Primorye Krai

\$13.5M

Sum accepted at British Columbia's River Rock Casino Resort in 2015, from unknown or potentially illicit sources



Iowa Tribe Indian country. A federal district court in Oklahoma City subsequently certified the arbitration award in April 2016.

After extensive research by tribal officials, the tribe chose to apply for a licence on the Isle of Man, completing the application process earlier this year. Tribal officials have confirmed that they intend to apply for further licences in other jurisdictions in the near future.

In a statement announcing the licence award, Iowa Tribe Chairman Bobby Walkup said: "The Iowa Tribe of Oklahoma is proud to be the first Native American tribe to secure an international online gaming licence.

"The process has taken longer than we may have envisioned when we began this journey, but, because we are a Native American tribe and held to higher gaming legal and regulatory standards, we had to ensure that we met all these standards."

The tribe's first online poker site, pokertribe.com, is scheduled to go live later this year.

KEY POINTS

- Iowa Tribe first to secure online licence for European market

- Licence issued from Isle of Man
- Tribe set to launch new poker site later this year

LABOUR PARTY CONSIDER PROBLEM GAMBLING LEVY

Tom Watson attacks business practices of gambling companies

The UK's Labour party is considering proposals that would force UK bookmakers to pay a levy to help treat problem gamblers if it wins the next election.

Labour Deputy Leader Tom Watson, speaking at the party's annual conference in Brighton, said that the money would be used for NHS treatment aimed at ending the "destructive cycle of addiction".

At present, problem gambling charity GambleAware have asked the gambling industry to donate 0.1% of gross gaming yield to fund education, prevention and treatment services. However, Watson added: "At the moment, the industry is asked to make voluntary contributions of 0.1% of profits - but it doesn't."

Labour have said that gambling firms have contributed just £7.6m to problem gambling causes in the UK rather

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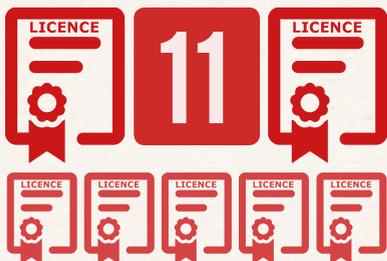
£1.95BN



Total amount of Chinese lottery sales in August

33%

Increase in Chinese visitors to the Philippines during the first six months the year



Number of licences now operating in the Portuguese online market

than the potential £13.8m which could be collected if the donations were compulsory.

Watson went on to state that “Some gambling companies, driven by greed, are deliberately targeting our poorest communities even as hundreds of thousands of lives are ruined by addiction.”

Additional proposals include a crackdown on fixed-odds betting terminals which would reduce the maximum stake from £100 to just £2 and a ban on bookmakers sponsoring football teams.

In an interview with *The Independent* newspaper, a spokesperson for the Association of British Bookmakers said it backed an “evidence-based approach to helping problem gambling in the UK and would support Mr Watson’s idea of a review, if it facilitated this.”

The spokesperson added: “We also would not oppose an appropriate, compulsory levy on the gambling industry to fund problem gambling treatment, as we have long argued that the gambling industry

needs to work together to reduce the number of problem gamblers and address the fact that most problem gamblers move between different forms of gambling.”

CAMELOT WINS \$2.2BN ILLINOIS LOTTERY CONTRACT

UK Lottery company inks 10-year deal

The Camelot Group, a UK-based lottery operator, has signed a 10-year deal worth a substantial \$2.2bn to manage the US State of Illinois lottery.

The group’s Illinois subsidiary will take over the account from Northstar. Camelot has substantial experience of operating large lotteries, delivering significant amounts of money for charitable causes and state revenue. Camelot currently gives over £30m a week to charities in the UK from their operation of the country’s National Lottery.

Acting Lottery Director Greg Smith said in a statement: “Camelot has shown more than a decade of success in managing lotteries



Number of
new honourees
inducted in
AGA's Hall of
Fame 2017



Drop in combined
profits posted by
Finland state-owned
operator Veikkaus
in its interim report



★★★★★
Consecutive year
which 188Bet
sponsors English
Super League
champions Wigan
Warriors

throughout the world. The Lottery and Camelot Illinois have common goals to responsibly grow the lottery's player base, align incentives, eliminate conflicts of interest, introduce new technology and innovation, and ensure responsiveness to public needs and concerns."

Camelot CEO Nigel Railton, during a public hearing in Chicago said: "We have an ambitious plan but the plan's also proven."

The current operator Northstar will be handing over the contract after being fired in 2015 for missing sales goals. They continued to operate the lottery on a temporary basis up to 1 January 2017, with that period extended due to the state's inability to find a new suitable contractor.

Lottery officials explained that the new contract was built on "a revised structure that aligns financial incentives and includes new permanent point-of-sale at retailers, new games, and a next-generation iLottery platform that supports omni-channel lottery participation."

JAPANESE SNAP ELECTION DELAYS INTEGRATED RESORTS

Move calls into question the future of Japanese casino industry

Japanese Prime Minister Shinzo Abe has called a snap election, postponing the country's integrated resort bill which is currently being discussed. The snap election will take place in October and could prove costly for those who were gambling on the country's gaming boom.

Shinzo Abe claimed that Japan was undergoing a "national crisis" surrounding current tensions with North Korea, however, it is also apparent that said crisis has seen his approval ratings soar in the past few months. Abe is attempting to take advantage of this resurgence by consolidating his power.

Japan's parliament or DIET is currently debating and outlining a piece of legislation to allow the introduction of integrated resorts into the country. Having passed legislation in December 2016

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calling for the authorisation of integrated resorts and following numerous discussions around the country, the DIET was in the process of formulating a bill. It is now clear that it will not be possible to continue with the current discussions surrounding integrated resorts as the nation undertakes an election.

Several major integrated resort operators had already created departments focused on Japan. Just in the last month US Diplomat Jason P. Hyland was hired by MGM to head up their Resorts Japan subsidiary. For investors it's a reminder that the Japanese gaming market is still uncertain despite having the potential to become one of the most profitable.

The Japanese parliament will be dissolved on Thursday to allow for campaigns and elections to take place. It is unlikely that any bills will be passed until after the election is over. If in the unlikely case that Abe isn't re-elected it is unclear if any integrated resort bill will be passed.

BETCART SECURES BETTING PARTNERSHIP DEAL WITH REAL MADRID

Firm signs multi-year deal with Champions League winners

Online sportsbook Betcart.com has announced it has secured a multi-year 'landmark deal' with Spanish giants Real Madrid CF.

This agreement will see Betcart.com, a GameVision brand, become the Official Betting Partner for the 12-time European Champions. Under the terms of the new deal, Betcart advertising will be placed extensively throughout the club's 80,000+ seat Santiago Bernabeu Stadium.

Additionally, the online sportsbook will also have a key presence on Real's official website and social media channels.

Monica Rangel, Chief Business Development Officer for Betcart, commented on the partnership: "Our strategy has always been driven by a desire to stand out from the crowd and deliver excellent user experience. This is a partnership to

make others take note, and one that is built to last. We can't wait to address the entire sports betting industry alongside Real Madrid at next year's Betting on Football."

Hector Cortes, GameVision's Managing Director, firmly believes both Real Madrid and Betcart share the same values. He said: "Our strategy has always been driven by excellence in user experience, a best in class attitude and of course being second to none. This is a partnership built to last!"



MACAU VISITATION WITHSTANDS TYPHOON DRAG

Macau casinos continued to build business among overnight visitors in August despite Typhoon Hato, which limited late-month arrivals.

Overnight visitation grew 4.8% in the month, though overall visitation slipped 0.6% to 2.866 million as less-profitable day-trippers fell 6.2% to 1.319 million.

Casinos have been focusing on drawing the more profitable overnight guests to broaden their business models as they add hotel rooms and tourist attractions.

Year-to-date visitation through August is up 4.4% to 21.349 million with overnight visitors increasing 11.5% to 11.255 million and day-trippers down 2.4% to 10.094 million.

US STOCK UPDATE

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

COMPANY	52-WEEK HIGH AS OF WEDNESDAY
Monarch Casino	\$39.01
Scientific Games	\$44.95
Golden Entertainment	\$25.76
Churchill Downs	\$207.80
Melco Resorts	\$23.85
Caesars Acquisition	\$20.60
Penn National	\$22.97
Full House	\$2.96

AUGUST VISITATION

Casinos	Total	Month	Year to year date
Mainland China	2,017 million	+1.9	+5.9
Hong Kong	529,676	-10.5	-1.5
Taiwan	92,580	-1.9	-0.2
South Korea	75,548	+30.8	+38.1
Japan	29,000	+8.2	+12.3
United States	11,933	-7.7	0.9
Canada	4,843	-10.3	+1.4
Australia	4,567	-15.0	-5.3
United Kingdom	4,336	-15.5	-4.4
France	3,300	-12.2	-3.4



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G2E Q+A JOHN CONNELLY CEO, INTERBLOCK



Why will you be exhibiting at this year's G2E show?

The Global Gaming Expo is one of the world's largest tradeshows, and is a critically important event for Interblock, bringing together the most influential people in the industry. Our primary goal for G2E is to revolutionise the way the industry perceives Electronic Table Gaming. This show also gives our team a unique opportunity to gather product feedback, and to work with our customers on strategies for making the Interblock ETG presence on their floors even more relevant.

What sort of business do you hope to do at the event?

Interblock will reveal fifteen revolutionary new products and features, designed to bring even more new carded players to the casino floor and increase the hold/handle the industry has historically seen from ETGs. Four products in our Dice product category, specifically, are designed to leapfrog traditional ETG Dice concepts. These games will offer a new shooter button, equipped with a motion-activated sensor, that enables a player to set, shake and shoot the dice. This patented technology has significantly enhanced a player's ability to interact with an ETG.

Why should other firms want to meet with you at the show?

The history of Interblock is rich with more than 25 years within the ETG sector. Our data clearly indicates that this is an area of the industry that is experiencing rapid growth and increasing in popularity. Customers who partner with us will have access not only to this valuable data, but also to our quarter-century of focused development within this market segment. ETGs are in our

DNA, and we take pride in constantly driving this sector forward.

Do you have any special events or presentations planned for the show?

Through a combination of innovation and technology, the new products being demonstrated at our booth will be items never before seen within the gaming industry. Interblock will unveil more than fifteen new products and features at this year's G2E, including Single Unit Mechanical Generators, Stadium Keno, Bingo, Tournaments and Live Craps where a player can actually throw the dice within a Stadium environment.

The PULSE ARENA has proven to attract new carded players at an increase of more than 50%, with a customisable multi-game environment that focuses on both entertainment and player interaction. It uses lights, music, and ambassadors to create an elevated environment that extends the gaming experience for customers.

For the first time in years, we'll also be welcoming guests into a VIP area of the booth, designed to change the way our industry looks at ETGs.

GUEST COLUMNIST:



PETER CAUSLEY
CEO LIGHTNING BOX

MODELLING FOR MILLENNIALS: CHANGING THE GAME?

Causley asks if slot developers need to instigate sweeping changes to their maths modelling and game design philosophies in order to attract new, younger players

Millennials. If there's ever a term that has company executives reaching for a cold beer, this seems to be it. Barely a week passes without another doom-laden report about the industries that this nebulous group is killing off. Business Insider published a handy summary in August 2017, listing industries from golf and oil to fabric softener and designer handbags.

Needless to say, optimising for millennials has been prompted a degree of hand-wringing in the gambling industry as well. There are now a vast number of industries competing for the entertainment dollars of a changing clientele, and a commonly raised issue in the gambling industry is how to attract a new generation of players raised on a bevy of increasingly sophisticated audio-visual entertainment options.

NO NEED TO UPSET THE APPLE CART

While we are always keen to ensure that all of our games appeal to as wide a player base as possible, we have not felt the need to upend our mathematical focus and fundamentally alter our principles of game design in order to cater for 20-somethings. While, needless to say, we are constantly engaged in the process of innovating and making incremental improvements to our proven math models, the growing importance of millennials has not necessitated a seismic shift in our approach.

Certainly, incorporating elements of skill and factors popularised by modern social games like leader-boards and tiered rewards is a trend we are witnessing the growing spread of across the industry. A number of firms are making their presence felt with these elements in mind, particularly in the USA as land-based casinos seek to diversify their offerings and attract a younger generation of players.

Indeed, the all-conquering success of the likes of Candy Crush and Angry Birds on mobile screens is notable, and incorporating the aforementioned factors that have contributed to their success, including leader-boards and levelling systems is no doubt a consideration for slot developers.

However, I would caution that online gaming providers must be careful not to lose sight of the wood for the trees

when considering whether to build these elements into their offerings. The key will always be the underlying maths, everything else is additional to that.

With regard to their capacity to bring in new players on a consistent and long-term basis, I feel the case is currently somewhat unproven, and for those that enjoy the traditional slot experience, bogging the experience and mechanical functionality of a game down with unnecessary bolt-ons is a sure-fire way of turning them off.

With regard to skill elements, it's fair to say that in all forms of entertainment where there exists a sense of competition, people will always want to feel better about themselves through out-competing their friends or besting their scores.

However, having said that, people also do not like to feel disadvantaged by things either. An underlying sense of unfairness can quickly kill enjoyment. Traditional slot play can provide the sense of assurance that a provably level playing field facilitates, letting players enjoy a game's features and the experience it provides while safe in the assurance that they are receiving the same opportunities as everyone else. Introducing elements of skill can remove the cushion of relaxation that such traditional slot gameplay entails.

A FINE LINE TO TREAD

What is clear is that proponents of skill gaming have something of a tightrope to walk when it comes to delivering upside while minimising downside. It is an endeavour I wish them luck in, but the entrance of firms espousing the benefits of skill gaming does not need to lead to an arms race in the maths modelling of slot games to squeeze in the latest fad or popular feature from outside the world of online gaming.

Indeed, mathematically modelling for skill elements can be as simple as putting in place a floor and ceiling for the RTP available to the player, which also gives the casino some assurances and a financial safety net as well. This can be achieved as simply as awarding random prizes at the culmination of a bonus round to lift up a poorly performing player's RTP, or curtailing a bonus round slightly earlier if a player is excelling.

Millennials have copped plenty of blame across the business world in recent years for the struggling fortunes of a number of industries. However, the advent of this issue has far from caused the sky to fall in on the world of iGaming, and slot developers need not strip away the mathematical foundations that made their games successful in order to appeal to them.

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