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## THIS WEEK

- **Crown Resorts diverts attention away from Japan**
- **Online operators told to remove games 'aimed at children' from sites**
- **Betsson posts 11% Q3 revenue rise**
- **Cyprus mulls first-ever national gaming survey**
- **Guest Columnist: Cara Kerr, Senior Managing Consultant, Pentasia**

# WEEK 43

## FRIDAY 27 OCT 2017

## LEOVEGAS AND INTRALOT REVEAL MAJOR M&A DEALS

*The two firms have announced company purchase deals to significantly boost their portfolios*



It has been a busy week of mergers and acquisitions activity, with Swedish gaming company LeoVegas and gaming solutions supplier Intralot tying up high profile acquisition deals.

LeoVegas International Limited announced that it has entered into an agreement to acquire the Royal Panda brand from Maltese company Web Investments Limited in a €100m deal. Under the terms of the acquisition, €60m will be paid up front with a potential earn-out payment of a further €60m if the company achieves net gaming revenues of €50m and EBITDA of at least €15m within 12 months.

To finance the deal, LeoVegas have obtained debt financing of €100m, of which €40m is a revolving credit facility which allows them to call on the credit if it is required. As a result of this acquisition, LeoVegas have adjusted their financial targets for the next few years.

In a statement announcing the deal, LeoVegas Group CEO Gustaf Hagman said: "Royal Panda has in a short time built up an efficient business with an exciting and strong brand. This is a major acquisition that we are carrying out following a carefully executed process. This gives us two great brands with global appeal, which makes the scalability in the continued growth strong while strengthening our position in the UK." ▶



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# THIS WEEK IN NUMBERS

# 100BN



Reported impact of tribal gaming on the American economy, according to a report released by the American Gaming Association

# 2%

Rise in group revenues reported by Rank group during the third quarter of 2017



# 10%

Percentage of bet takings offered by Lottoland to Australian newsgents as an incentive to withdraw their opposition to the group's expansion into Australia

# 312



Number of seats won by Japan's Liberal Democratic Party and its leader, Prime Minister Shinzo Abe. Abe is a long standing proponent of casino legalisation in Japan and the win should enable legalisation efforts to continue

This acquisition comes on the same day that the company announced a 40% rise in its revenues, which climbed to €55.6m during Q3 2017, beating the €39.7m posted during the corresponding period of 2016.

Gambling systems supplier Intralot Group has also announced it has purchased the remaining 65% of shares in Maltese gaming technology company Bit8, a deal which makes them a 100% shareholder in the company. Intralot Group began its initial investment in Bit8 in 2015, purchasing a 35% share of the business.

The company have confirmed that Bit8 Founder Angelo Dalli will remain on the Board of Directors of Bit8 offering strategic advice for further development of the company. Dalli said: "I am thrilled for the success of our cooperation with Intralot and today's development that promises to bring a new cycle of growth, portfolio enhancement, and international recognition for Bit8.

"Like every Founder who has worked hard for the creation of a successful company I am proud about the company's evolution and look forward to our future cooperation to reach new targets."

### KEY POINTS

- LeoVegas buys Royal Panda for €100m
- The operator's revenue grew 40% in Q3 2017
- Intralot becomes 100% shareholder in Bit8

### CROWN RESORTS UNLIKELY TO EXPAND INTO JAPAN

#### Announcement follows months of speculation surrounding plans

James Packer, Director of Australian gaming company Crown Resorts Limited, has declared that he will not be looking to expand the company's offerings into the Japanese market anytime soon, according to an article in *Agence France-Presse*.

The announcement follows months of speculation over the future of integrated resorts in Japan. Many would assume that Crown Resorts, headquartered in Sydney, would be in a prime position to spread their operations to the neighbouring country. However, Packer expressed a desire to focus on the construction of a flagship resort in Sydney as his company's current priority.

Shinzo Abe, the current Japanese Prime Minister recently called a snap

election which further delayed political conversations surrounding integrated resorts. Results have shown that his coalition has retained a two-thirds majority in parliament, which is good news for casino operators who feared a change in leadership could jeopardise the legalisation timeline further.

Despite the encouraging election result, Crown Resorts' current restructuring has taken priority over the Japanese venture which is likely to involve a lengthy and high cost bidding war between several of the world's largest casino operators.

MGM Resorts has already expressed an interest in the market, cementing its intent with the launch of a Japan-facing website earlier in October.

Although Packer did reiterate that he was only one director, it's a clear indication that not all major casino operators will compete for the Japanese market. Crown Resorts will continue to develop their \$1.9bn integrated resort in Sydney in a project described by Packer as "the most important building built in Australia in a long time".

### WATCHDOGS ISSUE LETTER AGAINST GAMBLING ADVERTS TARGETING MINORS

#### Move follows national newspaper investigation

Four gambling industry watchdog organisations have issued a joint letter to gambling operators across the UK asking them to withdraw any games that might appeal to children from their websites, following a Sunday Times investigation.

The UK Gambling Commission, the Committee of Advertising Practice, the Advertising Standards Authority and the Remote Gambling Association have jointly written an open letter in response to the investigation, which alleges that a number of online gaming brands are using children's story characters such as Peter Pan and Jack and the Beanstalk in free-to play games that the ASA views as advertisements to sell their services to minors.

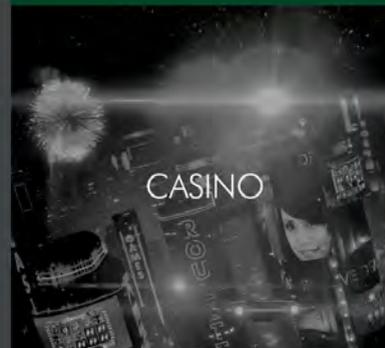
In its letter the organisations state that: "Recent articles in the UK national press have highlighted a number of freely accessible ads on gambling operator websites, which feature images that are likely to appeal particularly to under 18s. This is unacceptable."

"Gambling operators are required by the UK Advertising Codes and the conditions

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# \$500m



Price paid by Aristocrat for Israeli social casino gaming company Plarium. The deal to acquire the firm has just been given final regulatory approval



Percentage of 11 to 15 year-olds who have reportedly gambled online using funds from their parent's accounts, according to a 2016 report by the UK Gambling Commission

of their Gambling Commission licence to advertise responsibly with particular regard to the protection of under 18s and others who are vulnerable to being harmed or exploited by gambling advertising."

The Sunday Times investigation report raised concerns over the fact that stakes on the highlighted games range from 1p to £600, and can be played for free without registration or any age verification checks. The UKGC's Executive Director of Corporate Affairs and Research Tim Miller responded to the investigation by saying that: "This clash between the world of computer games and the world of gambling is just one example of the need for continuous vigilance when keeping children safe online."

A 2016 report by the UK Gambling Commission found that nearly half a million children have been found to gamble in England and Wales every week, with 6% of 11 to 15-year-olds having gambled online using funds from their parents' accounts.

In its letter, the watchdogs go on to add that gambling operators "must immediately amend or remove any freely accessible ads on your website or in third party media space that are likely to appeal particularly

to under-18s. (This includes affiliate ads that promote your company and its products.)"

## BETSSON AB REVENUE UP 11% Revenues from Western Europe up while income drops

Swedish online gaming specialists Betsson AB have reported an 11% year-on-year rise in their group revenue for the third quarter of 2017.

In their latest financial report of the year, the company posted group revenues of SEK 1.18bn, beating the SEK 1.06bn reported during the same period of 2016.

Leading the charge was Betsson's Western European operations which saw their revenues achieve 63% growth, with a 31% organic growth.

However, operating income saw a decline of 21% as it dropped from SEK 272.9m down to SEK 216m in the same period this year. Betsson expressed that the negative impact was incurred by "currency impacts, increased betting duties and negative contribution from recent acquisitions".

Betsson AB CEO, Pontus Lindwall explained: "Despite a good finish to the quarter, we are not satisfied with the overall

# \$850M

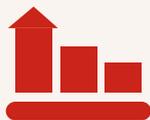
Total price paid by Golden Entertainment for four Las Vegas casino properties, including Stratosphere Casino, Hotel & Tower, Arizona Charlie's Decatur and Arizona Charlie's Boulder, as well the Aquarius Casino Resort in Laughlin

# 11%



Rise in group revenues reported by Betsson Group AB during the third quarter of 2017

# 15%



Rise in Gross Gaming Revenue in Philippine casinos during the second quarter of 2017, according to figures released by PAGCOR

growth in the quarter and Betsson has taken action to improve performance.

"Moreover, NetPlay, which Betsson acquired in April 2017, has not developed as well as planned and measures have been taken to get the business back on track.

The Group is committed to continue to develop the product offerings and to achieve good returns on marketing spend in order to further capture growth."

## CYPRUS CONDUCTING FIRST NATIONAL GAMBLING SURVEY

### Survey aims to determine appetites for gambling

Cyprus, the Mediterranean island nation, will be conducting its first ever extensive survey into the engagement of gambling amongst its citizens, as revealed by the National Betting Authority (NBA) on Monday.

Ioanna Fiakou, Chairwoman of the NBA, made the announcement during a press conference, claiming that player protection and a better understanding of the country's gambling demographics were the main driving forces for the survey.

Fiakou discussed the need for a review and how it would be conducted stating:

"The authority has commissioned Insights Market Research (IMR) Ltd to conduct a quantitative survey by interviewing 3,000 individuals, in order to study and investigate the Cypriot public's extent of participation in games of chance."

Importantly the inclusion of the phrase 'games of chance' leaves the review open-ended in terms of the scope of games which will be reviewed.

Personal interviews will be set up for 25 October and finish at the end of December. Individuals from various age groups, including those between 13 and 17, will be randomly selected to form the 3,000 person survey.

Chairwoman Fiakou added: "The survey's goals focus on recording the extent of participation in gambling activities, identifying the extent of problematic participation among the public, studying gamblers' social and demographic traits, the frequency with which they engage in gambling and their budgeted and real spending in gambling." It is unclear as of yet what the survey may reveal or how the NBA might use the information to shape future laws and regulations surrounding the Cypriot gaming industry. ◀



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### LAS VEGAS SANDS BEATS EARNINGS

Las Vegas Sands beat earnings consensus in the third quarter and announced it would spend \$1.1bn on expansion projects in Macau.

Macau property EBITDA jumped 11.1% year-over-year after adjusting for hold, marking its best quarter in terms of adjusted EBITDA since the first quarter of 2014.

EBITDA was also up Singapore by 11.4% and Las Vegas 2.3% when factoring out unlucky play, though on the surface, Las Vegas EBITDA slipped 11.6%.

Sands China's mass and VIP gaming volumes in Macau outpaced the growth of the overall market, CEO Sheldon Adelson said.

The Parisian's EBITDA was up 27.4% compared to the second quarter, with sequential growth in visitation, hotel occupancy, average daily revenues and gaming volumes as well. Mass win per day of \$2.58m was the highest since it opened last year.

LVS RevPAR in Las Vegas fell 3% to \$225, with average daily revenues down 3.3% to \$232. This was offset by a 0.5 percentage point increase in occupancy to 97%.

### THIRD QUARTER HIGHLIGHTS:

- Adjusted earnings per share: 77 cents vs. 71 cents vs. 68 cents consensus
- GAAP earnings per share: 72 cents vs. 65 cents
- Net revenue: \$3.199bn vs. \$2.969bn
- Adjusted property EBITDA: \$1.210bn vs. \$1.142bn

### By region:

Macau	\$652m	vs.	\$628m
Marina Bay Sands	\$442		\$391
Las Vegas	\$76		\$86
Sands Bethlehem	\$40		\$37
Diluted shares: 792 million vs. 795million			
Balance sheet: Cash: \$2.00bn			
Long-term debt: \$9.62bn			

### YEAR-TO-DATE HIGHLIGHTS:

- ADJUSTED EARNINGS PER SHARE: \$2.16 VS. \$1.71
- GAAP EARNINGS PER SHARE: \$2.01 VS. \$1.46
- NET REVENUE: \$9.446BN VS. \$8.335BN
- ADJUSTED PROPERTY EBITDA: \$3.565BN VS. \$3.015BN

### 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	\$42.94
Golden Entertainment	\$26.47
Penn National	\$25.37
Canterbury Park	\$12.65
Pinnacle	\$25.03

## GUEST COLUMNIST:



### CARA KERR

SENIOR MANAGING CONSULTANT AT  
DIGITAL RECRUITMENT FIRM PENTASIA

#### NEW CAREER PATHS WITHIN ONLINE GAMING

*Moving your career in a new direction takes guts, but careers don't often reap rewards without requiring at least an element of risk up-front. Recruitment expert*

*Cara Kerr shares hiring trends across the gaming world and looks at the most in-demand roles of the future.*

#### Emerging Opportunities in Gaming and Gambling

Our industry has always been quick to embrace the new, and going into 2018 the pace of innovation remains as strong as ever. There have been incremental advances, like new games, innovative marketing strategies and sophisticated systems. There's also innovation in brand-new areas like blockchain technology, new geographic markets and growing phenomena like eSports.

Employers in these new and growing fields seek expertise, experience and ambition. Often, backed by significant investment, they're willing to pay big to attract the best. Rewards range from the financial – significant salaries, bonuses and shares – to the personal – excitement, challenge, and satisfaction. We also see candidates' value rising significantly with proven experience of niche but growing sectors, so the choice can have excellent long-term value too.

So, what are the emerging career opportunities we're seeing for 2018, and who's most in demand?

#### Blockchain and Cryptocurrency

Undoubtedly one of the biggest technological 'disruptors' of our time, blockchain's influence on the gambling sector is set to be huge. This complex technology is, though, still in its infancy. Blockchain-based cryptocurrencies such as Bitcoin and Ethereum are becoming prevalent, but the same technology is also being harnessed to create new platforms and games themselves.

Technically-minded professionals are of course in demand here, but this fast-growing arena requires a wide range of talent from salespeople to marketing, compliance to management.

#### Customer Experience

Blending marketing, customer service, UX design and product management, the Customer Experience or CX role is fast becoming one of the most important seats at a brand's top table. With so many customer touchpoints, ensuring personalised and coherent

interactions is increasingly what separates success and failure.

Focussed leaders with significant customer-centric experience in tech are prime candidates for this exciting senior career path.

#### Fintech

Finance and gambling have always been closely aligned, but in the tech world overlaps are getting ever closer. Consumers and punters alike are tired of outdated, over complicated financial requirements, expecting quick or even instant access to funds and information.

Those with experience of payments, fintech and transactional operations have ample opportunity to innovate and drive progress in this area.

#### eSports

eSports' rise seems unstoppable, and is fast becoming a global phenomenon. More and more operators, both specialist and generalist, are adding eSports to their sportsbook portfolios. Yet in such a young, fresh arena, there's huge opportunity for serious capture of market share.

Sportsbook and marketing professionals with a flair for spotting opportunity will undoubtedly have their eyes on eSports' rise. There's big potential for marketing, content and affiliate expertise here too.

#### Country Management

Some of the world's biggest gambling markets remain untapped by operators, but with regulation constantly updating and new licences being granted, there's plenty of opportunity for international expansion. It's the country manager who'll hone in on opportunity and oversee the roll-out of products.

Country managers are some of the most sought-after individuals in the industry. Those with commercial gaming experience, a willingness to travel and strong all-round leadership qualities can expect to be well compensated for their work.

Data Analysis, Science and Compliance

Companies in gaming and far beyond have amassed thousands of terabytes of customer data. Discovering insight, logic and actionable opportunity here is a huge task, with big payoffs for the most successful. But equally,

this is a sector undergoing significant new regulation with serious additional responsibilities falling on businesses. The mathematically-minded, trained analysts or legal professionals with a desire to specialise further have ample opportunity to explore data's potential within the gaming marketplace.

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