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## THIS WEEK

- **UK Government review on FOBT's unveiled**
- **Macau GGR hits three-year high in October**
- **Brazil to vote on casino bill next month**
- **Paddy Power Betfair revenues jump 9% in Q3**
- **Guest Columnist: Wayne Fisher, VP European Operations, Pragmatic Play**

# WEEK 44

## FRIDAY 3 NOV 2017

## PENNSYLVANIA LEGALISES ONLINE GAMBLING

*Move aimed at reducing state budget deficit*



The Governor of Pennsylvania Tom Wolf has this week signed extensive new legislation that will allow gambling online, in truck stops and in airports across the keystone state.

The fourth state to legalise online gaming, Pennsylvania is also the first to allow online play for both commercial casinos and its lucrative state lottery, which delivered \$1bn in profits on \$4bn in sales.

The move has been widely perceived as a way to plug a large hole in government finances, with tax collected from the existing casino industry worth \$1.4bn in the most recent fiscal year, the highest sum of any state in the US.

Ten of Pennsylvania's twelve existing casinos can bid on a licence for a new, smaller casino with hundreds of slot machines. The fees for each licence start at \$7.5m, with a table games certificate costing an extra \$2.5m, for ▶



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# THIS WEEK IN NUMBERS

## 200+

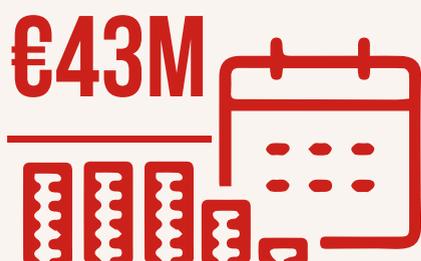
Expected number of companies attending The BiG Africa SuperShow



Number of consecutive months of growth in the Chinese territory of Macau

## \$4,300

New tax on Russian gaming tables proposed by the Ministry of Finance



Gaming technology firm Kambi's annual revenue for the first nine months of 2017

## 3000+

Total number of jobs threatened by UK FOBT crackdown, according to industry analysts



a casino limited to 750 slots and 30 table games.

Casinos will be able to offer interactive gambling parlours in eight airports, including Pittsburgh and Philadelphia, while qualifying truck stops can operate up to five video gaming terminals.

Wolf commented: "There's been a lot of pressure from a lot of places in the commonwealth to actually expand this, and we do need some recurring revenue.

"Again, the goal has been all along to do what's prudent, not cannibalise existing gambling revenue coming to the state, and I think what we're settling on will actually do that."

It's been four months since a budget stalemate gripped Pennsylvania, with lawmakers estimating that the gambling legislation will produce over \$200m a year from casino licence fees and taxes to help reduce the projected \$2.2bn deficit.

The Pennsylvania Gaming Control Board said on Wednesday that they are already benefiting from the new gambling law. Only two days after passing the bill, the state has collected its first million dollars after Valley Forge Casino Resort has paid a \$1m fee to allow gambling by people who aren't taking part in other amenities there.

### KEY POINTS

- First state to legalise online play for commercial casinos and state lottery
- Airports and truck stops will offer smaller gambling parlours
- Cost of new licence starts at \$7.5m

## UK GOVERNMENT REVIEW ON FOBTs UNVEILED

### Raft of new restrictions planned

The long-awaited triennial review has finally been released this week, detailing new restrictions on Fixed Odds Betting Terminals (FOBTs) - the controversial form of betting that has caused a storm of concern amongst MPs and government officials.

Unveiling the clampdown, the Department for Digital, Culture, Media and Sport (DCMS) Minister Tracey Crouch said the government would

cut the maximum bet on the machines from £100 to between £2 and £50.

Currently, the machines allow for punters to bet £100 per spin on the terminals, which is equal to £300 a minute.

In addition, the review also launched a 12-week consultation period ending in January in which betting firms are expected to lobby for a £50 stake limit. However, the DCMS suggested that lower options like £20 or £30 are more likely to be passed.

In the publications opening statement, Media and Sports Minister Tracey Crouch said: "This consultation brings forward a package of proposals which responds to strong evidence and public concerns about the risks of high stakes gambling on the high street, with the aim of enhancing player protections on gambling machines that enable high rates of loss in short periods of time."

The DCMS has also been considering will also consider slowing the pace at which bets can be made, from the current interval of 20 seconds in order to "reduce the potential for large session losses and therefore to the potentially harmful impact on the player and their wider communities".

Although this reform remains provisional, this pivotal decision will dictate what the landscape will look like for the high street gambling industry. The set changes could have a massive impact on UK bookmakers, potentially slashing hundreds of millions of pounds from their profits.

According to figures released by the Gambling Commission, £1.7bn was spent on FOBTs between October 2014 and September 2015, accounting for 56% of betting shops' profits. If the maximum stake is reduced to £2, half of the 9,000 betting shops in the UK could become unprofitable and risk closure by 2020.

Betting industry expert Steve Donoughue commented: "The publication of the Triennial Review should be seen as the beginning of the end of the war on Fixed Odds Betting Terminals and the end of the beginning of the war on online gambling.

"By war, I mean the active campaigning of commercially

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Number of suspicious betting cases filed by integrity body ESSA during Q3

motivated anti-gambling groups happy to use fake news, a media happy to construct moral panic without providing balanced reporting, an increasingly political regulator happy to tighten the screws at any hint of moral panic and a Parliament, full of emasculated legislators willing to jump on any bandwagon just to show they care regardless of the lack of any evidence to the contrary."

## MACAU GGR HITS THREE-YEAR HIGH IN OCTOBER

**Casino operators reported revenues of \$3.31bn during last month**

Gambling revenue in the world's biggest casino hub continues to expand as Macau enters its fifteenth consecutive month of positive growth, hitting a three-year high.

According to data compiled by Macau's Gaming Inspection and Coordination Bureau (DICJ), casino gross gaming revenue (GGR) increased by 22% year-on-year in October, to MOP26.63bn (US\$3.31bn).

This monthly result proved to be higher than analysts' expectations of between 13% and 18% growth, and it climbed to the highest GGR tally in three years since October 2014.

This increase may have been bolstered by the hike in the VIP segment, which could be attributed to the surge of visitors who visited Macau during the Chinese national holiday, as well as the Communist party meeting held in the former Portuguese colony.

October's results have meant that Macau has recorded almost MOP220bn (\$27bn) in revenue for the first 10 months of 2017, rising 19% compared to the same period last year.

Despite a solid month for the Cotai District, Macau-based casino operator SJM posted a 16% decrease in profit in the third quarter of 2017. SJM revealed a 10% decline in EBITDA, down to \$726m while gaming revenue in Q3 came flat, reaching \$10bn.

Following the damage caused by a typhoon and a recent fire, the firm is not expected to open its integrated resort Grand Lisboa Palace until 2019.

€7m



Revenues posted by the Portuguese online sports betting market in August



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Rise in gaming revenues reported by US casinos in September



The amount of revenue generated by Nevada's sportsbooks in September

### BRAZIL TO VOTE ON CASINO BILL NEXT MONTH

**262 out of 513 deputies are in favour of legislation**

Brazil could soon become the next nation in Latin America to legalise its gaming market and formally introduce a regulatory framework.

According to the local news magazine *Vieja*, the president of Brazil's Chamber of Deputies has stated the country will vote next month on a bill supporting the legislation of casinos in order for its provisions to come into effect as law.

If signed into law, the bill would create a regulatory framework for the operation, regulation, and taxation of gambling; and the construction of casinos could begin as soon as 2018.

Marquezelli has detailed that out of 513 deputies, 262 are in favour of legalising casinos, including the current President of Brazil, Michel Temer.

Following the statement, hotels in Guarujá, Campinas and São José do Rio Preto have confirmed their

interests in holding gambling activities at their resorts.

Despite the support from the National Congress, the bill would still have to pass through the Senate.

Under the new legislation, Brazil, with a population of 207 million people, would become the world's largest regulated gambling jurisdiction. According to the Brazilian Legal Gaming Institute (IJL), approximately R\$20bn (\$6.4bn) is generated annually from illegal gambling services.

### PADDY POWER BETFAIR REVENUES JUMP 9% IN Q3

**The betting group posted operating profits of £101m**

Paddy Power Betfair Plc (PPB) continues on its trajectory of positive growth by boosting revenue almost 10% in the third quarter of 2017.

The sports betting giant has announced this week that group revenues in Q3 rose by 9% to £440m compared to the same period last year.

In a company filing, the report

highlighted that sports revenues were "in line with our expectations" as it recorded a 5% increase in underlying profits to £101m. Its online revenues were down 3%, but this is a positive result compared with the third quarter last year when Euro 2016 took place.

Paddy Power is experiencing a strong financial year, recording a 7% hike in EBITDA, up to £121m for the period ending on 30 September. Following this momentum, the company revealed that the new Paddy Power Betfair website is expected to be rolled out by early next year.

In Australia, the betting company saw a 29% rise in revenue for the third quarter, driven by a 33% increase in stakes.

Presenting the results, Group CEO Breon Corcoran said Q3 was "an encouraging quarter".

"Our international businesses performed particularly well. In Australia, the winning combination of innovative product and marketing excellence continued to deliver

exceptional results, with revenue up 29%, while US revenue was up 18%.

"Paddy Power Retail also continues to outperform the market through its sports-led proposition and is well positioned to respond to regulatory changes," he concluded.

## GUSELMANN GROUP CELEBRATES 60TH ANNIVERSARY IN STYLE

### German company holds lavish two day celebration event

The family-run Gauselmann Group celebrated its 60th anniversary in a spectacular and festive weekend in Germany this September. Several thousand guests attended the festivities in a huge tented village (measuring 36,000m<sup>2</sup>) that was especially built for the event in the field behind company's production facility in Lübbecke, north-west of Germany.

The event started with an exhibition from various subsidiaries of the Gauselmann Group, followed by two gala evenings. Guests included

representatives from the worlds of politics and business, the gaming machine industry, clients and family and employees. The special guests of the evenings were internationally renowned violinist David Garrett and his orchestra as well as famous German pop group Pur. Both evenings concluded with a 25-minute of fireworks and laser show.

Paul Gauselmann, the company founder, started his business in the late 50s producing jukeboxes in Germany, which led him to later manufacture gambling slot machines. Today, the company is a global player and a market leader in the gaming machine industry, servicing hundreds of gaming and betting halls across Europe, with more than 12,000 employees and a volume of business worth approximately €2.5bn in 2016.

In 2016 the group, previously operating mainly offline and in B2B environment, launched the Merkur Partners affiliate program with their own online gaming brands, facing the regulated markets of Spain, Italy, UK and Czech Republic.

# DATA CENTRE

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## NV REVENUES UP, VISITS DOWN

The Las Vegas Strip had a solid month in September, posting a 4.67 percent rise in revenues as baccarat table drop jumped nearly 50 percent and as the calendar had an additional Saturday this year vs. last.

Both blackjack and baccarat grew revenue in the low single-digits, as baccarat played unlucky compared to last September.

Nevada has now posted year-over-year revenue growth seven of the last nine months, rising 3.25 percent.

	Revenue	Year-Over-Year Change
Nevada	\$979.860 million	+3.25 percent
Las Vegas Strip	\$567.890 million	+4.67 percent

Meanwhile, visitor volume in Las Vegas slipped 2.5 percent in September due to a 24.6 percent drop in convention attendance.

The low convention attendance was a result of show rotations, as the 44,000-attendee MINExpo, 18,000-attendee Solar Energy Trade Show and the 24,000-attendee Specialty Graphic Imaging Association were rotated out of Las Vegas this year.

Additionally, G2E, which had 27,000 attendees this year, took place in October this year versus September last year.

- Las Vegas	Month	Change	Year to Date
Visitor volume	3.567 million	- 2.5 percent	- 1.1 percent
Room Inventory	148,532	- 0.5	- 0.5

Hotel occupancy	91.1 percent	- 1.8	+ 0.1
Average hotel rate	\$139.57	+ 1.8	+ 3.9
RevPAR	\$127.15	- 0.2	+ 3.9
Convention attendance	463,565	- 24.6	+ 2.1
Air passengers	4.071 million	+ 0.4	+ 2.3
Daily major hwy traffic	114,687	+ 0.4	+ 1.4
Traffic I-15 at CA line	43,774	flat	- 0.9

## 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
Melco Resorts	\$26.52
Wynn	\$151.55
Tropicana	\$50.00
Monarch Casino	\$45.32
Canterbury Park	\$13.00
Red Rock Resorts	\$24.74
Pinnacle	\$25.89
Penn National	\$26.09
Boyd	\$29.23



# TRIALS OF A GAMING START-UP

**HELEN WALTON** | CEO OF GAMEVY

**WEEK TWO: SCRATCHCARDS, SCRATCHCARDS, SCRATCHCARDS**

Helen Walton is the CEO of Gamevy, a new online gaming provider. Having come from outside of the industry, she shares her triumphs and tribulations in navigating this unique market and building a business

**W**e're working with some new developers in Poland, and three members of the team are flying out to meet them to kick off our new scratchcard project. We've all got really high hopes for the concept. Instead of buying a card whose win or loss status is decided in advance – all of our cards can potentially win up to £1million. What influences the outcome will be the player's choices in scratching.

The concept and mathematical modelling has all been worked through, but the Polish team will be doing both the UI and the coding. We welcome them onto the shared chat tool that we use in the office instead of email. The idea is that we avoid creating little groups, hiding information and over-burdening ourselves with lots of messages. Instead, all our chat is in 'flows' and we only read the ones that apply to us, or if someone has tagged us.

Our new developers seem to like it – and once the kick-off meeting has happened, we'll be communicating using video through our virtual office and chat. It's crucial that we get the quality of communication right – after all the creative quality of our games is absolutely the reason Gamevy finds customers.

At the same time, we've received 'feelers' from a company who might be interested in investing – or possibly even starting a joint venture with us. As well as updating all of our pitchbook materials and corporate information, I've drawn up at least three plans, and none of them seem that appealing. And we're all aware that it may come to nothing. Part of me worries that this is just a distraction from the real job of getting the games onto the right platforms!

Meanwhile the search for the perfect designer goes on: A generalist who can turn a hand to art, graphic design, concepts and UX, but with expertise in a range of 2D and 3D tools and the ability to learn more.

Where is this mythical unicorn? We talk to someone who sounds perfect – experienced and very sharp – but he's only interested in contracting. I spend the rest of the week sending messages on LinkedIn and Twitter, asking designers to share the news.

Thursday and the first design arrives from the

Polish team. It's AWFUL. Our designer writes a few choice phrases of feedback that I fortunately catch and delete before he can send them. I remind him that we all have to start somewhere and that it's how people respond to feedback that is the sign of their talent, not their first attempt.

He agrees to let me 'translate' his words. Yet in spite of my pep talk, I am feeling no confidence in their ability either and in spite of what seems like a positive conference call I feel a settled gloom descend.

I have several sales calls on Friday, but maybe I should have arranged them for a different day. Two cancel, and the third is clearly distracted. Paul tells me that I need to start making trips to get the deals signed rather than relying on Skype. I remind him of what he said about spendthrift marketing departments and bankruptcy when I suggested visiting a customer in the North of England, let alone Gibraltar, but he waves an airy hand and assures me I must have imagined it.

Almost immediately the phone rings with someone asking if they can talk to the person in charge of the marketing budget and I consider putting them through to Paul as revenge. My better nature triumphs and I try

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***“IT'S CRUCIAL THAT WE GET THE QUALITY OF COMMUNICATION RIGHT-AFTER ALL THE CREATIVE QUALITY OF OUR GAMES IS ABSOLUTELY THE REASON GAMEVY FINDS CUSTOMERS.”***

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to explain that no budget doesn't mean I'd be thrilled by a 50% discount, because no budget really is zero.

A revised design comes back from the Polish team. It's still awful, but they have gone to the effort of adding their own copy: Who dares wins!

Indeed, I think, as I decide not to send a response until the weekend. Indeed.

## GUEST COLUMNIST:



**CALVIN KENT**  
CEO, REELNRG

**THE GLOBAL MOBILE MARKET:  
TAILORING FOR SUCCESS**  
*Kent details the considerations game  
developers must make when creating  
content for mobile platforms*

There can be no doubt that the influence that mobile devices wield over our lives is becoming ever more pronounced. So much of how we go about our day-to-day existence has been transformed by a wave of mobile technology that only really began to take on its current guise ten years ago with the release of the first iPhone in June 2007. Everything from keeping up with current affairs and shopping to navigating your way around a new city and perusing entertainment options has been delegated to devices like phones and tablets, which we carry on us at all times.

Needless to say, the potentially transformative nature of mobile technology on online gaming was the topic on everyone's lips along the halls of gaming industry conferences the world over from 2006, and mobile has risen to be the dominant channel for many operators; several in western European jurisdictions note that mobile users account for more than 70% of their total user engagement. The same is increasingly true globally, the adoption of mobile phones continuing apace throughout Latin America, Africa and Asia.

For slot developers like ReelNRG, these developments in both the widening of regulation and greater mobile adoption globally brings with it challenges and opportunities. The days of being able to put out a one-size-fits-all online product are well behind us, and it was a recognition of this that led to my founding of ReelNRG with Amit Majumdar in 2015. The flat nature of content being released online based on land-based legacy software presented a problem, and it is increasingly clear that optimisation cannot be considered from a purely demographic or channel perspective. A sound appreciation of both is necessary in order to achieve success.

### DELIVERING THE PERFECT MOBILE EXPERIENCE

For players in all markets, ensuring that the game can be controlled in a slick and intuitive manner remains utterly crucial. With on-screen real estate at a minimum, making sure that navigational controls are obvious and intuitive while remaining unobtrusive represents a major challenge. Taking a desktop interface and expecting it to work with touchscreen controls on significantly smaller devices is unlikely to work.

However, this is a hurdle that providers must clear in order to ensure the mobile experience is as engaging as possible.

Delivering a tailored interface that translates well in both portrait and landscape modes remains hugely important if players are to respond positively to your games.

Celebration messaging on mobile is also a factor that has not received enough attention as the channel has risen to dominance in recent years. Celebration messaging is something that needs to be looked at, with a view to ensuring that such messaging is proportional to the size of the win. Put simply, on-the-go mobile players don't want to have their experience slowed by long celebrations for a win twice their stake. An easy step to improving mobile gameplay is to save the largest celebration messaging for the biggest wins and jackpots.

It is important to remember that mobile development is an ongoing process, as the technology developers can use grows in power. We must always be aware of slowing the performance of our games by bogging them down with too many features and excessive graphical technology, especially in light of several studies which have underlined that loading times of more than a few seconds can lead to players turning those games off. As mobile technology grows, so will the complexity and experiences of the games that we are able to deliver.

### THE CHALLENGE OF GLOBAL OPTIMISATION

While optimising for mobile remains a challenge, it must not be allowed to completely dominate a slot developer's technological and manpower resources. Providing games that are tailored to the needs of different players in different regional markets must retain a significant part of an operator's focus.

By way of example, at ReelNRG we have placed emphasis on targeting Asia, having recently agreed a deal with leading operator BetVictor to provide Shanghai Respin and Goddess of Asia to their customers before expanding to Europe later this year. Volatility is key for the Asian player, favouring medium to high volatility games, whereas European players tend to favour games with an increased number of bonus features. 'Turbo play' is also growing in popularity with players across Asia in a number of different territories. It is a great way of allowing players to search out the most exciting features and bonuses, and it has exhibited a great track record in driving player engagement.

In summary, the ever-increasing prominence of mobile technology is undeniable. Online casino players are increasingly at home playing in an on-the-go environment, a trend we are witnessing on a global scale. For developers, the importance of meeting the demands of this growing marketplace with optimised mobile content tailored to the preferences of individual markets is now too big to ignore.

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