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# WEEK 49

FRIDAY 8 DEC 2017

## FIRST SHOTS FIRED IN US SPORTS BETTING CASE

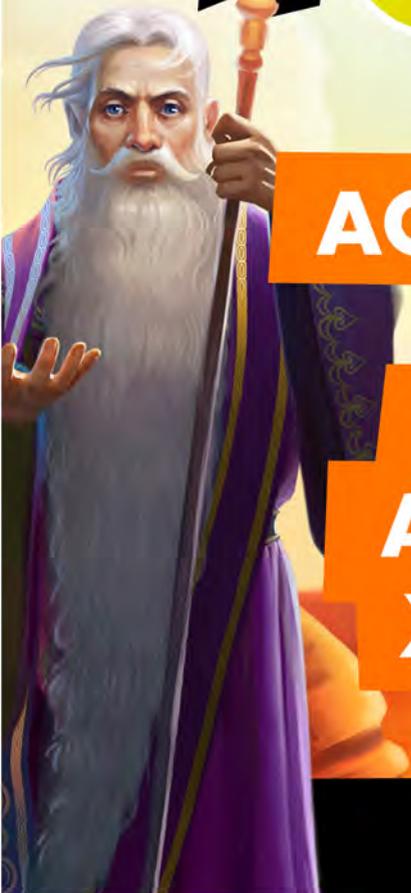
*Supreme Court commences judicial review of New Jersey appeal*

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## THIS WEEK

- **Tabcorp Tatts finally gets clearance from ACCC to proceed with merger**
  - **Penn National in acquisition talks with Pinnacle Entertainment**
  - **LeoVegas retrenches from UK affiliate market**
    - **Helen Walton, CCO, Gamevy**
    - **Guest Columnist: Tom Wood, VP & Chief Product Officer, B2B, SG Interactive**

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## FRIDAY 8 DEC 2017

## FIRST SHOTS FIRED IN US SPORTS BETTING CASE

*Supreme Court commences judicial review of New Jersey appeal*



Justices in the US Supreme Court have now heard the first oral arguments in the judicial review into New Jersey's challenge on the legality of sports betting. The final decision, thought to be released in H1 next year, will determine the future of sports betting in the US, pitting over 20 states against some of America's biggest sporting leagues.

The Christie vs NCAA case comprises a review of an August 2016 ruling by the Philadelphia-based 3rd US Circuit Court of Appeals that an earlier 2014 New Jersey statute permitting sports betting at casinos and racetracks violated PASPA (Professional and Amateur Sports Protection Act 1992).

Advocating for the overturn of the decision, and potentially the repeal of PASPA, is the state of New Jersey and the New Jersey Thoroughbred Horseman's Association. The advocates against the New Jersey appeal include some of the US' biggest sporting associations, including the NCAA, the NFL, the NHL and Major League Baseball. Twenty states across the US have filed amicus briefs in support of the New Jersey appeal. New Jersey advocate Matthew McGill commented: "We, on behalf of New Jersey, are asking the

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# THIS WEEK IN NUMBERS

## £100,000



The amount Broadway Gaming will pay the UKGC after promotional adverts investigation



The number of casino licences the Greek Ministry of Finance has included in a bill set to liberalise the Greek gambling market in tourist destinations

## \$990M



The amount Aristocrat Leisure paid in the acquisition of Big Fish Games

court to evaluate the entirety of PASPA and we do so on the ground that once you recognise PASPA is unconstitutional, that is the heart and soul of this effort."

Despite no immediate decision being made, New Jersey Governor Chris Christie remained bullish about NJ's readiness to proceed, telling reporters: "If we're successful here, we could have bets being taken in New Jersey within two weeks of a decision (by the court). We're like Boy Scouts; we're prepared. We're prepared in New Jersey, and we're ready to go."

These sentiments were echoed by Daniel Wallach of gaming law firm Becker & Poliakoff, who told reporters at a national press club briefing: "Any roll-out of sports betting must include a mobile and online component right away. That will ensure not only maximum revenues and tax benefits for states, but will better safeguard sport integrity by reallocating a greater percentage of the wagering handle from illegal markets to legal and regulated markets."

A number of companies in the gambling industry are positioning themselves to take advantage of a potential repeal, by either building sports betting capability

or acquiring existing sports betting companies with the potential to scale. Of these, Scientific Games has made the first move through its acquisition of NYX Gaming Group, the passage of which was this week significantly smoothed following the news that William Hill has now dropped its legal action against the deal. Furthermore, Will Hill has now entered into an commercial agreement with SG, which has agreed to acquire the sports betting firm's ordinary shares and convertible preference shares in NYX.

Will Hill Chief Executive, Philip Bowcock, commented: "These agreements safeguard William Hill's technology roadmap and relationship with NYX and end all legal action between the parties.

"Additionally we are pleased to expand our commercial relationship with Scientific Games in the US market which offers considerable potential should the Supreme Court ruling on the Professional and Amateur Sports Protection Act, which is expected next year, provide states with the power to regulate sports betting."

The Supreme Court will reconvene on the 8 January. The current term of the US Supreme Court will end on the 29 June,

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The year-on-year percentage increase in Pennsylvania's slot revenue during the month of November



€26.5M  
The amount Catena Media paid for German affiliate, Baybets Ltd.



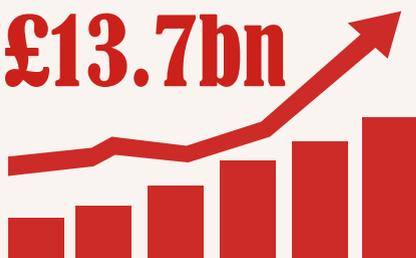
15%  
The potential consumption tax that Australian lobbyists are attempting to sway government officials from implementing in Victoria



60%  
The percentage increase in online gambling fraud since 2014, during Black Friday and Cyber Monday in 2017



\$558.4m  
Nevada sportsbooks' total betting handle during the month of September



£13.7bn  
The total gross gambling yield achieved by the UK's gambling market during the period April 2016 – March 2017

2018, so any decision must be concluded then or roll over to the next term.

#### KEY POINTS

- Supreme Court Justices commence review of New Jersey appeal
- New Jersey ready to roll out sports betting within two weeks of any positive decision
- Speculation on Supreme Court decision causing flurry of financial activity in the US gaming industry

#### TABCORP/TATTS MERGER CLEARS FINAL HURDLE WITH ACCC U-TURN

##### Long-standing merger nears its end following decision

Australia's Competition and Consumer Commission (ACCC) has now dropped its opposition to the AU\$11bn merger between Tatts Group and Tabcorp Holdings. This latest twist comes after the Australian Competition Tribunal (ACT) approved the merger for a second time last month, and after CrownBet, who had been one of the biggest commercial opponents of the merger, dropped its opposition to the \$11bn deal.

Both have previously claimed that the deal would impact market competition unfairly as well as consumer pricing.

In a statement outlining the ACCC's position, Chairman Rod Sims revealed this was the end of the matter: "Unlike the original decision of the Tribunal we do not consider there is any error of law that needs to be corrected. For this reason the ACCC will not be seeking further review.

"The ACCC takes the view that the proposed merger of these two large and close competitors will lessen competition, but because they chose to apply to the Tribunal, the ACCC never reached a conclusion as to whether or not the lessening would amount to a substantial lessening of competition."

#### PENN NATIONAL GAMING IN TALKS TO BUY PINNACLE

##### Speculation that an agreement could be reached within next few weeks

Penn National Gaming has announced that it has entered discussions with rival casino owner, Pinnacle Entertainment over a possible acquisition of the business, with the intention of creating a unified company with 45 properties in more than a dozen states, and Canada.

Statements issued by both companies said they were not certain that the discussions would necessarily lead to a transaction. However, according to people familiar with the matter, both companies said they could possibly reach an agreement in the next few weeks.

"These discussions may or may not lead to any transaction, and the company does not intend to comment further on market speculation or disclose any developments unless and until it otherwise deems further disclosure is appropriate or required," Penn National said in a statement.

#### LEOVEGAS SCALES BACK UK AFFILIATE OPERATION

##### Move follows regulatory clampdown on terms and conditions

Online casino operator LeoVegas has announced in a statement on its website that it will only be offering its services to a small number of affiliates in the United Kingdom, amidst regulatory changes.

In its statement, LeoVegas said it had been working closely with the UKGC to ensure its business with various affiliates was compliant: "We are encouraged to see that several affiliates are taking these changes seriously and have taken on compliance managers or external legal counsel to ensure their ongoing compliance; this is something that we welcome. However, based on the response we have received to these initial actions, it is clear that these compliance requirements are not easily met for some affiliates.

"The recent announcements from UKGC and guidance from the CMA delivered at the Raising Standards conference clearly indicate further ongoing changes to compliance requirements going forward and, naturally, we must ensure our affiliates are prepared to address these needs," added LeoVegas. "We are not and will not be able to continuously provide review and guidance services to all affiliates and would like to emphasise that the responsibility to achieve compliance ultimately sits with the affiliate. For these reasons going forward, although we value all the hard work all our affiliates have been putting in to the partnership, we are only able to continue to work with a small number of affiliates who satisfy our compliance standards, share our commitment to compliance, and further have the operational scale to guarantee ongoing compliance and deliver a worthwhile contribution to our business."



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### NEVADA IN OCTOBER: LV GAMING REVENUE & VISITATION DOWN

Visitation to Las Vegas and gaming revenue on the Strip both fell in October following the shooting at Mandalay Bay at the beginning of the month.

Gaming revenue on the Las Vegas Strip slipped 6.05% in October while visitor volume fell 4.2% to 3.604 million. The visitation dip comes in spite of 35.9% growth in convention attendance.

Casinos have said that revenues were hurt by the shooting in October, especially in the non-group segment, but business

has since returned mainly to normal. October marks the Strip's second-biggest decline of the year and the first drop since July.

Below is a breakdown of Las Vegas gaming revenues and visitation statistics in October:

|                         | MONTH         | % CHANGE | % CHANGE (YR-TO-DATE) |
|-------------------------|---------------|----------|-----------------------|
| Visitor volume          | 3.604 million | -4.2     | -1.4                  |
| Room Inventory          | 148,532       | -0.5     | -0.5                  |
| Hotel occupancy         | 91.9%         | -2.2     | -0.1                  |
| Average hotel rate      | \$139.62      | +0.4     | +3.5                  |
| RevPAR                  | \$125.66      | -2.5     | +3.1                  |
| Convention attendance   | 687,209       | 35.9     | +5.1                  |
| Air passengers          | 4.339 million | +1.5     | +2.2                  |
| Daily major hwy traffic | 112,350       | +0.2     | +1.3                  |
| Traffic I-15 at CA line | 40,740        | -1.6     | -1.0                  |

### BELOW IS A LIST OF US GAMING STOCKS THAT HIT 52-WEEK HIGHS THIS WEEK:

| COMPANY          | 52-WEEK HIGH AS OF WEDNESDAY |
|------------------|------------------------------|
| Pinnacle         | \$31.15                      |
| Table Trac       | \$2.50                       |
| Eldorado         | \$31.35                      |
| Wynn             | \$159.45                     |
| Empire Resorts   | \$26.60                      |
| Boyd             | \$32.07                      |
| Canterbury Park  | \$17.00                      |
| Red Rock Resorts | \$31.73                      |
| Churchill Downs  | \$235.40                     |
| MGM Resorts      | \$34.22                      |



# TRIALS AND TRIBULATIONS OF A GAMING START UP

**HELEN WALTON** | CCO, GAMEVY

## WEEK SEVEN: GROWING PAINS

Helen Walton is the CCO 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 are still tiny – an unnoticed pimple on the online gaming industry. But we have also just officially gone past the point at which I know everyone in the company.

This feels scary. Yes, I know there are lots of start-ups who've grown to 50 people by the end of their first year – but games studios are rarely among them. Instead, Gamevy has been a tight-knit collection of individuals with in-jokes and nicknames and secret codes that no one else would understand.

Then, within two months, the team has more than doubled in size to about 25. Some of our email addresses are now not only composed of <firstname>@gamevy.com. There are two people called "David" for heaven's sake. We're having to refer to them as "David B" and "the original David". One of the developers has started wearing a shirt that says 'Jon: the one and only' just to stake his claim on the name.

Never mind the names, this also means we're having to do some more grown-up stuff in other ways. We have finally decided we can't keep doing payroll manually; we've set up a proper Spanish entity, at last, for our staff in Bilbao; we're actually writing down a list of the things all new employees will need when they start, rather than scabbling about to get licences the day after they arrive...

But the real issue is that we can no longer rely on just knowing things. Suddenly no single person in the company can keep track of what everyone is doing or how every project is progressing. Information sharing needs to be formalised. Yes, we already have Trello boards for workflow and shared prioritisation boards, as well as shared chat flows where we can keep up to date, but the fact is that the sheer quantity of information is now beyond us as individuals.

I don't think I've ever been especially control-freak-y by nature, but the sudden doubling in size makes me realise how crucial it is that we all have a shared set of priorities and objectives, and then just trust each other to get on with the delivery.

Getting to those 'shared objectives' or prioritising the many opportunities and ideas we have is not easy. None of us have crystal balls to the future. I don't know how much a product or customer is worth and my best 'guesstimate' is sometimes so inaccurate as to be useless. Nor do I know how long a product will take to build. The more innovative the product, the less clue I have as to its value or the cost to create it.

Sessions where we sit around debating the relative merits of two exciting, but risky new ideas essentially boil down to what our gut instincts say – which we began the estimating to avoid!

It's also all too easy for companies in rapid growth to form cliques – the newbies vs the old guard; one office vs another; developers vs sales; fans of one type of product vs another. It seems ridiculous to talk about 'silos' forming in a company that's not even 30 people yet, but it can happen surprisingly quickly. The hashtag #second\_class\_citizen is attached to some news that London had forgotten to share with Spain.

The joke feels a bit close to the bone, and the banter that follows has a bite. We can't let these divisions occur, partly

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***“GETTING TO THOSE ‘SHARED OBJECTIVES’ OR PRIORITISING THE MANY OPPORTUNITIES AND IDEAS WE HAVE IS NOT EASY. NONE OF US HAVE CRYSTAL BALLS TO THE FUTURE”***

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because not having access to information wastes time and leads to poor decisions, and partly because we started Gamevy to build a company where we enjoyed working – and the idea of people worrying about politics or feeling excluded makes us question why the hell we're working so damn hard!

So despite the fact that we are in the middle of the busiest season yet, with deadlines squealing as they whip past, a pipeline queue that actually makes me feel sick when I think about it, and that money is as tight as ever... we decide to do something crazy. This weekend, the London team are packing their bags and heading over to Bilbao, where we'll be spending some quality time with each other in various pintxo bars.

I'm also making everyone visit the art museum because I seem to have turned into my mother. But alongside the drinking and eating, we'll be trying to hammer out a shared vision of the next year, our priorities and even a few processes to try and stop divisions forming as we grow.

## GUEST COLUMNIST:



### TOM WOOD

VP AND CHIEF PRODUCT OFFICER, B2B, SG INTERACTIVE

**DIVERSIFYING THE PORTFOLIO:**  
*Tom Wood discusses why enhancing your portfolio is essential when creating a fresh and truly player-engaging experience, and how a company can capitalise on this*

When flipping through industry thought leadership publications, gaming professionals typically find excellent writing on trends in the space that involve technology, regulations, legislation, product development, etc. In other words, the usual suspects. Often pushed to the side, though, are discussions on how the people making the games affect production from beginning to end. Geographic and demographic preferences can play a huge role in diversifying portfolios, gathering feedback, providing valuable development input, and making fantastic games. Creative variety is equally crucial - collecting ideas from individuals who think differently is a surefire way to encourage innovation and make every product feel fresh.

If portfolio game diversification is key to enhancing relevance, staying fresh and creating an engaging experience, gaming companies must stay in tune with ever-changing player needs that are affected by forces like technological evolution, competitive play and the desire for constant connectivity. And they must diversify. Diversify the games released, the products made, the ideas and voices supported, the locations where business is done, and the individuals employed.

To overcome any issue related to a lack of diversity, businesses should look to their high performers in every area and find out what's done right. At SG Interactive, when a game outperforms expectations, we research the cause and effect relationship and determine how we can replicate that success. In some instances, this means iterating on an already-popular game theme such as Rainbow Riches or Zeus®. Players love the theme, so we develop new games with these recognisable characters but with different mechanics, reel sets, bonus rounds, and more. Rainbow Riches Pick n' Mix and Rainbow Riches Reels of Gold were both built upon the successful features of the beloved Rainbow Riches theme and continue to perform well today. The opposite is also true, though. If a game's performance is lacklustre, we will determine what we can do better and incorporate new ideas based on that feedback.

Every success and every miss is an opportunity to diversify our game portfolio.

At an even higher level view, game design can often settle into a comfortable place when the same people are always working through the development processes. It is important to encourage new ideas wherever possible and tailor the development process to empower collaboration. Recognising and rewarding out-of-the-box thinking through friendly challenges and competitions is a win-win for everyone. At SG Interactive, we do this by awarding proactive thinking and by sharing innovative process enhancements across our unique studios. Our development studios make games under our legacy brands: Bally®, Barcrest®, Red7, Shuffle Master®, and WMS®. Each legacy brand's games have a distinct look and feel, and loyal players might prefer playing titles from one specific legacy brand over another. Keeping distinctive trade dress in our games strengthens brand recognition externally, and sharing successes and failures helps build skillsets across the business and between development studios.

Thinking outside of the game development process and taking into account the diversity of an employee base can also yield powerful results. Employees in varied locations and of differing backgrounds will bring remarkable insight that can ignite change, and it is important to foster the unique abilities of your employee base with strong communication tools, collaborative projects, and opportunities to showcase their work. Some of these come with the job - messaging programmes, team goals, ideation meetings, etc., but other, less obvious techniques can encourage employees to reach the next level. In many of our offices, we hold regular lunch and learning sessions where one team shares their expertise with the employees. The one-hour meetings are dedicated to sharing ideas and learning more about co-workers that can power new ways to collaborate and innovate as a team. When you solicit feedback and assign star employees to important projects, you build trust and build better products. At SG Interactive, we tap into our internal resources whenever possible, whether the opportunity is testing a game that is intended for launch in an employee's home country, or giving designers creative control over their preferred subject matter, thus leveraging an artist's expertise for a product outside his or her job description.

Overall, diversity should be welcomed as a tool for positive change within the gaming industry. If heralded as a harbinger of innovation and collaboration, it can make for better games, broader product portfolios, and happier employees.

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