

GI FRIDAY

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THIS WEEK

- **Lottery betting firms banned from offering EuroMillions**
- **Connecticut tribe demands a say in state's newest casino proposal**
- **Legal gaming market in Brazil delayed until 2019**
 - **Helen Walton, CCO, Gamevy**
 - **Guest Columnist: Steven Griffin, New Business Manager, Degree 53**

WEEK 50

FRIDAY 15 DEC 2017

FULL STEAM AHEAD FOR SCI GAMES-NYX DEAL

The contested acquisition has now finally been given William Hill's blessing



Back in November, William Hill announced the filing of a legal complaint against the proposed acquisition of NYX Gaming Group by fellow gaming heavyweight Scientific Games.

When the news first broke, many suggested that the company was seeking to block the acquisition over concerns about the future potential revenue opportunities afforded by legalisation of sports betting in the US. It was also reported that Will Hill would lose in excess of \$50m if it converted its shares.

At the time, NYX Gaming said: "Based on certain regulatory and licensing restrictions, NYX's Board cannot convert the preference shares at this time. NYX is considering all options available to it, including whether William Hill's conduct could have any impact on NYX's gaming licences (and therefore whether William Hill is suitable to hold NYX ordinary shares), and bringing appropriate legal action or actions against William Hill to protect NYX shareholders."

However, the latest update in this ongoing saga is that William Hill has since had a change of heart, announcing its support for the deal. ►



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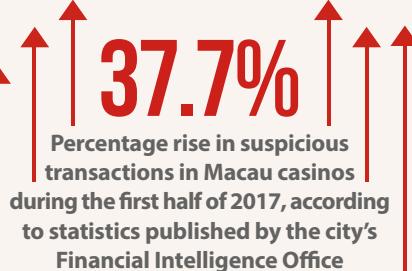
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THIS WEEK IN NUMBERS

Amount of money potentially being invested by Galaxy Entertainment into an Integrated Resort development in the Philippines

\$500M



51%

Majority stake in GameGrounds United AB acquired by online casino operator LeoVegas for SEK 30m

10 million

Shares sold by the Tracinda Corporation in casino resort developer MGM Resorts International

3

Number of casino licences potentially being issued to the Greek islands of Mykonos, Crete, and Santorini

Scientific Games announced that it has entered into a new commercial arrangement with the UK bookmaker, and that both parties, as well as NYX, have entered into a separate settlement agreement in which they have agreed to end all existing litigation.

Sci Games has also agreed to acquire Will Hill's ordinary shares and convertible preference shares in NYX, with William Hill receiving CAD\$2.40 per share for the 6.8 million ordinary shares it owns, and approximately £87m for its convertible preference shares.

William Hill's 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. We will unconditionally support Scientific Games in their acquisition of NYX and we have no hesitation in recommending other shareholders to do the same."

Furthermore, the deal has garnered some more support this month from Sky Betting and Gaming, which has voiced its approval for the \$631m acquisition. The company which owns 1,648,000 ordinary shares and 412,000 warrants in NYX Gaming Group, has entered into an agreement to support the merger.

Sky Bet CEO Richard Flint said: "We believe that the acquisition of NYX by Scientific Games delivers great value for us as a shareholder in NYX, and we look forward to continuing to work with a combined Scientific Games and NYX as more jurisdictions around the world look to legalise sports betting and online gaming."

With this hurdle now out of the way, there is little to stop the proposed acquisition going through. Matt Davey, NYX Gaming Group CEO told *Gambling Insider*: "The acquisition presents us with an opportunity to accelerate our strategic plans to enhance the key business areas of NYX Gaming Group. The fast-paced nature of digital gaming demands providers to constantly focus on the latest innovations. Being a part of Scientific Games will increase the support needed to continue the growth of our market-leading products, allowing us to deliver faster to our customers and the market."

"As we approach the shareholder meeting on 20 December we are happy

to see the momentum continue to build towards a successful union."

KEY POINTS

- Will Hill was previously in legal battles with Sci Games and NYX over proposed acquisition
- Will Hill announced its support for the deal after forming a new agreement
- Sky Betting & Gaming also gave its blessing for the \$631m deal

LOTTERY BETTING FIRMS CRY FOUL OVER EUROMILLIONS BETTING BAN

Questions raised around the process leading up to the decision

The Department for Culture Media and Sport (DCMS) has announced it will ban UK players from using third-party betting sites to bet on the outcome of EuroMillions lottery draws, provoking outcry from lottery betting operators.

To preserve the distinction between the two forms of gambling and also to protect returns to good causes made via the National Lottery, the DCMS has indicated that it will include a licence condition banning UK players from betting on EuroMillions via websites such as Lottoland, Mylotto24, Annexio Limited and Jackpot.com.

Despite the obvious consequences to these businesses, the DCMS indicated that it "will tailor the licence condition to ensure it is in line with our aims to reduce consumer confusion and protect returns to good causes in the UK. Betting operators will still be able to offer bets on international lotteries."

Reacting to the proposed ban, Lottoland CEO Nigel Birrell questioned the validity of the judgement saying: "We don't think that prohibiting this now is a fair, proportionate public policy response given that there is no evidence that supports the decision."

"In the DCMS consultation they make mention of the fact that the industry is new, and that there could be a possibility in future that this becomes a problem and impacts good causes. This is exactly why we said let's wait; it's a new industry, the figures are two years out of date anyway so let's have a moratorium or review period where we assess the impact."

"If indeed there is an impact, let's talk about it again then, but right now the evidence we provided to the consultation

22

Date in December when Nevada Gaming Control Board Chairman A.G. Burnett will step down from his role.

100



Number of petitions normally accepted by the US Supreme Court for review in any given year. Justices are considering New Jersey's case to legalise sports betting as one of those 100 cases

370,000

The number of 11-16 year olds who have gambled in the past week according to figures released by the UK Gambling Commission in December



\$74.56M



Revenue accumulated by Indiana casinos in November, according to figures released by the Indiana Gaming Commission

\$5.2BN

Takeover bid tabled by GVC Holdings for the Ladbrokes Coral group. Under proposals GVC would own 53.5% of the acquired business, giving it a controlling stake

from a third party shows that actually we are adding to the industry and not impacting good causes at all."

Lena Patel, Head of Corporate Affairs, myLotto24, added: "We acknowledge the Government's decision to prevent GB customers from betting on EuroMillions. It is too early to comment on what the broader impact on customers will be. Our dialogue with the Government throughout the consultation has been constructive and we look forward to continuing the conversation about how to modernise the UK gambling market."

CONNECTICUT TRIBES DEMAND INVOLVEMENT WITH NEW MGM RESORT

MGM will not be given an easy ride in bid for new property

Leaders from both the Mohegan and Mashantucket Pequot tribes have submitted a letter to Connecticut state officials arguing that they want to be involved in any potential negotiation to open a new casino resort in Bridgeport, Connecticut.

With a solid history of cooperation between tribes and the state, Mohegan tribal Chairman Kevin Brown and Mashantucket Pequot Chairman Rodney Butler appealed to state officials to involve them in any potential bidding process.

They stated: "For more than two decades, our two tribes and the state of Connecticut have forged a mutually beneficial partnership created from the first MOU in 1993 to the second in 1994.

"Those agreements steered more than \$7bn in direct payment to the state's General Fund and created billions more in other economic activity. That direct funding has gone to a host of critical services in every town and city across our state."

Tribal officials have had many run-ins with MGM Resorts in the last few years, largely over the construction of a third casino property near East Windsor, a development which MGM Resorts have vehemently opposed, prompting a long running legal standoff which only ended earlier this year.

This latest twist comes amid sustained pressure from MGM Resorts group, who submitted a proposal to build a \$675m casino in Bridgeport earlier this year.

Uri Clinton, Senior Vice President of MGM Resorts and its main legal counsel in the

area, issued his own letter in response, stating: "The tribe's request yesterday to be 'part of that discussion' is good news for the people of Connecticut. We welcome the tribe's interest in such a process, and urge state leadership, in the 2018 General Assembly session, to do what is truly best for the people of Connecticut."

BRAZIL'S GAMBLING LEGISLATION SET BACK UNTIL 2019

Controversial amendments mean decision is kicked into long grass

Brazil's journey towards liberalising its gambling market took another turn for the worse this week. The Constitution and Justice Committee (CCJ) has again delayed a vote on the Senate's gambling legislation bill, PLS 186/2014. Furthermore, according to those close to the situation, the impending elections next year may delay the passing of the bill until 2019.

In November, a report commissioned by the Remote Gambling Association estimated that Brazil's online gambling market has the potential to be worth \$2.1bn per year, if it were to be regulated properly.

In the report, KPMG stated that Brazil needed to implement a "sensible and effective" licensing regime, a taxation framework that is based on gross gambling revenue (and not on turnover as it is the case in several recently regulated jurisdictions), and the right measures for the socially responsible provision of online games and sports betting.

Due to these further delays, judicial attention has once again been turned to the privatisation of the Rio de Janeiro state lottery, LOTEX.

In the days running up to the vote, a number of senators put forward controversial new amendments, one of which would require gaming operators to enter into partnerships in which local companies would hold at least a 30% stake. In addition, there was a proposed blanket 30% tax on all land-based and online gambling revenue.

However, neither of these amendments have been included in the bill, although the CCJ did agree to include a prohibition on slots and video bingo machines outside of casinos. CCJ judges have moved to prolong the decision on Bill 186's progress, as the committee reviews impacts of gambling at a state level. ▶

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ATLANTIC CITY RISES

In the first month that marks an apple-to-apples comparison since the closure of the Trump Taj Mahal last year, Atlantic City land-based casino revenue rose 3.17% in November.

Resorts posted the biggest year-over-year gain, boosted by lucky play. Factor out Resorts, and AC land-based revenue would have still risen 2.01%.

Caesars also played lucky, with revenue at that property up 7.68%.

The online revenue trends of casino growth and poker decline continued in November, with the result being a 20.04% jump in interactive revenue in the month.

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

| PROPERTY | REVENUE (\$M) | YEAR-OVER-YEAR CHANGE | TABLE HOLD (%) | |
|------------------------------|------------------|-----------------------|----------------|------|
| | | | 2017 | 2016 |
| Resorts | \$14.963 | +18.60 | 19.2 | 15.9 |
| Caesars (CZR) | \$22.949 | +7.68 | 17.2 | 12.2 |
| Borgata (MGM) | \$60.025 | +5.28 | 16.2 | 15.4 |
| Tropicana (TPCA) | \$26.422 | +4.36 | 10.7 | 13.8 |
| Golden Nugget (Landry's) | \$17.482 | +4.33 | 20.9 | 19.9 |
| Bally's AC (CZR) | \$15.521 | -4.67 | 18.0 | 18.6 |
| Harrah's (CZR) | \$28.464 | -7.64 | 15.4 | 20.9 |
| AC Total | \$185.825 | +3.17 | | |
| Multiple Property companies: | | | | |
| Caesars | \$66.934 | -2.16 | | |

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TRIALS AND TRIBULATIONS OF A GAMING START UP

HELEN WALTON | CCO, GAMEVY

WEEK EIGHT: ONWARDS AND UPWARDS

The lovely chaps who edit GI Friday reminded me that this is my last column. But it can't be two months already, I insisted, before counting up the weeks and realising that I was indeed on the final one...

It made me think about how time in general passes in a start-up. It is at once incredibly slow and incredibly fast. On the one hand, projects seem to crawl along. Nothing is ever done as fast as you like; the revenue never arrives as quickly; deals and contracts seem to take ages... On the other hand, I find myself staring at the calendar in amazement – are we really supposed to be preparing for ICE already? Dear God, how am I going to get the materials printed, the meetings arranged and come up with some ideas to make noise?

Most days I feel as if we are getting nowhere, and then a sudden lurch in performance reminds you that progress is happening! This week, for example, our new Christmas product – Jingle-Up – is our number one product for games played. We only decided to build it at the end of September when we had a sudden panic and remembered how badly we had lost position and revenue last year because we hadn't had a Christmas game.

There was a big argument as we debated simply adding some fake snow and a Santa hat to an existing product versus a complete re-skin with dozens of custom animations. Would players care? Or was this just about getting some promo attention from a Casino Manager? We went for the more elaborate option... I want to say it was because we'd carefully thought out the pros and cons, but in reality, it was because our designer was desperate to animate something other than lottery balls. It turns out to have been a smart decision: performance of the original game hasn't dipped at all, meaning every penny on Jingle-Up is incremental GGR. In hindsight – that perfect vision – we should have pushed harder to support all languages and have it rolled out to everyone, not just our top five customers.

Halfway through the week and I have a sales trip with my co-founder Paul. He's a pain on flights – demanding constant entertainment and refusing to let me either pore over the regulatory documentation I need to assemble or read my book, and snow delays our take-off by three hours. To avoid killing him, I embark on a strategy review. I worry about the enormous tasks we have coming (three product launches planned for January, a queue of integrations and some new regulated markets to enter). How will we prioritise? How do we make the right trade-offs given capacity and resource constraints? As I run through projected expenditure and staffing worries, I feel like I might start to hyperventilate!

In answer, Paul pulls out a YTD report: We grew nearly 3% every single week – a compound rate that would see us masters of the universe if we could only continue it. He reminds me of all the times we've thought we were going to go bankrupt, and the agonising decisions each time over whether to pour in our own money or start shedding staff. "We're in a better place than we've ever been," he points out. "I feel like I can finally see the light at the end of the tunnel."

To me the 'light' feels like the very faintest of glows, but he's right. This time last year we were a feisty, argumentative start-up shouting about innovation, and with only five or six products to our name. This year, and now with a range of 15, we have the data to prove we were right – there is an appetite

"WE HAD A SUDDEN PANIC AND REMEMBERED HOW BADLY WE HAD LOST POSITION AND REVENUE LAST YEAR BECAUSE WE HADN'T HAD A CHRISTMAS GAME"

for a different kind of game; new and innovative mechanics can convert non-casino players better than promotion or bonus spending; engagement does result in improved retention; better design will improve GGR on mobile play.

More importantly, our products are getting better. We have some bankers, we have some experiments that show the direction to travel, and we have some cracking ideas that build on everything we've learned. It's almost funny, because when customers ask us about products we were showcasing six months ago, I want to wave a dismissive hand. Yes, yes, those are great – but you wait til you see what we've got coming. Our games in 2018 are going to blow you away!

As our RyanAir flight is eventually called (at 2am) and Paul and I wearily clamber onto the plane behind some drunken men yelling about beer, it feels as if the universe is offering me a metaphor. We may be later than we'd like, it may feel tough, and we may have a long way to go – but by God, Gamevy is taking off...

GUEST COLUMNIST:



STEVEN GRIFFIN
NEW BUSINESS MANAGER,
DEGREE 53

GOING BESPOKE: WHEN IS THE RIGHT TIME?
Griffin discusses the pros and cons of bespoke gaming platforms, and the appropriate time to invest

The majority of operators in the gaming industry compete for the same audience. One of the biggest concerns for them is product differentiation, particularly when they establish themselves in the market and need continuous customer flow along with strong retention to maintain profit. As cost per acquisition continues to grow for each operator and customer loyalty becomes more elusive, there needs to be a differentiating element to draw punters to continue spending with the same brand.

Many operators start off with a platform solution from a third party, heavily relying on someone else's services and features. This means the experience of using the platform is much the same as many other platforms, leading users to see these brands as interchangeable. For those using third-party solutions, it is worth considering taking control of the gaming platform in an effort to prolong the maturity phase, introducing custom-made product features to address customers' needs.

KEEPING UP WITH DEMAND

By the time an operator reaches product maturity and a steady customer base, it makes sense to move away from a third-party supplier platform to an custom-built solution. This enables the product owner to create any features and services they want, tailored specifically to their users. It can also facilitate the roll-out of new innovations to the market a lot quicker to stay ahead of the competition.

As there are so many technological advances that operators need to keep up with, using a third-party system may not always be the most convenient option. Changes in user behaviours dictate the demand, which means operators must be flexible and reactive to any innovations affecting their trade. For example, the adoption of mobile devices meant that operators had to ensure their services were accessible from a range of remote devices. This was further extended to mobile apps. When live markets became popular, those operators using white label solutions had to wait for their

suppliers to add support before they could launch due to everyone else trying to roll this out at the same time.

THE ADVANTAGES OF A BESPOKE GAMING PLATFORM

Understandably, the decision to move to a new platform is not easy. There is significantly more work involved in setting everything up from scratch, such as investing in resources, building the infrastructure and obtaining the necessary expertise to run the system smoothly. It's a huge undertaking and may not suit every operator, however, it pays off in the long run.

A third-party solution certainly has its advantages, such as the system set-up taking much less time than building everything from the bottom up. It would also include all the necessary integrations and technical support that a gaming business might need. It also takes away the need for internal maintenance, saving costs on resources. However, these services can be limited and the operator does not necessarily have the full power over features that go onto the platform. With a fully bespoke system, an operator can have complete control over both back and front end. They can experiment with different features and designs, test which options work best and adapt to the preferences of their customers.

This option gives them full creativity and visibility over how their users engage with their services. Having a fully bespoke platform offers more control over price too. Making a big investment in the beginning can cut down operational costs later on. A revenue share and a minimum guarantee may look enticing at first, but once the business takes off, the costs could be huge.

MAKING THE RIGHT DECISION

While the operator is growing and building its customer base, an off-the-shelf platform solution from a third party is more than enough to run gaming services. However, there is a time when the operator will need to start thinking about differentiating its services to be a step ahead of the competition. This is when moving onto a fully bespoke platform could be a great solution to tackle this challenge. A bespoke gaming platform can significantly cut down operational costs in the long run and offer more freedom in terms of what the operator can offer to its users. Having a full control over the gaming platform could really help the company grow its services, address customer demand and scale up the business to be able to roll-out new features. This decision is not an easy one and needs to be made at the right time, however it could be really beneficial for long-term operations.

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