



# WEEK 51-52

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# 2017 REVIEW

THE PAST 12 MONTHS HAVE SEEN MONUMENTAL DEVELOPMENTS AND CHANGES THAT WILL SHAPE THE FUTURE OF THE GLOBAL GAMING INDUSTRY AS WE KNOW IT. FROM HIGH-PROFILE MERGERS AND ACQUISITIONS TO REGULATORY CHALLENGES, IT'S BEEN A YEAR OF GROWTH DESPITE THE HURDLES THAT OPERATORS AND SUPPLIERS ALIKE HAVE FACED. IN THIS SPECIAL EDITION OF GI FRIDAY, GAMBLING INSIDER REVIEWS SOME OF THE MOST MEMORABLE MOMENTS OF 2017



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# JANUARY

*This year started off on a low note for Macau after the Gaming Inspection and Coordination Bureau published the region's final gambling revenue figures for 2016, resulting in a third consecutive year of decline. Nonetheless, analysts remained confident that Macau would see greener pastures later in the year.*

*On the other hand, New Jersey enjoyed its first positive news in a decade, after posting a moderate 1.5% increase in revenues for 2016. Atlantic City's seven casinos generated gambling revenues of \$2.6bn last year, representing its first growth since 2006 when its then twelve casinos hit an all-time revenue peak of \$5.2bn.*

*Israel saw the mass closure of slot and keno machines after Finance Minister, Moshe Kahlon, began his crackdown on state-sponsored gambling. On a similar note, Greek authorities also started the year off by combating the vast illegal VLT market.*

*Robert Rankin stepped down from his role as chairman of Crown Resorts following a restructuring*

*of the company's senior governance, while James Packer returned to the throne so he could deal with the 18 Crown employees arrested in China on suspicion of breaching the nation's stringent anti-gambling laws.*

*In January, Fredrik Burvall also announced his plans to leave Betsson Malta due to family reasons, with former CEO Anders Holmgren taking over on a temporary basis.*

*Caesars Entertainment Corporation was also given the go-ahead to settle its ongoing \$18bn bankruptcy case, with the company setting its sights on restoring the Harrah's, Caesars and Horseshoe brands. The company won court approval in the US Bankruptcy Court for the Northern District of Illinois to conclude a court-supervised restructuring process.*

*Full year financial results looked positive for Paddy Power, which announced that revenue in FY2016 was up 18% year-on-year to £1,551m. However, due to "customer-friendly" results, William Hill said that its full year profit for 2016 would be at the bottom end of its guided £260m to £280m range.*

# FEBRUARY

*The ongoing battle between the UK Government and UK bookies continued, with the Association of British Bookmakers hitting back at a report calling for a £2 stake limit on fixed-odds-betting terminals. Carolyn Harris, MP and Chairwoman of the Parliamentary Group said: "There is now a clear case for the government to substantially reduce the maximum stake which can be played on FOBTs."*

*Speaking of UK bookmakers, William Hill's biggest investor, Parvus Asset Management, began lobbying for a 2017 outright sale of the company instead of a potential industry merger. The firm said they wished Will Hill would "stop wasting valuable time and shareholder resources pursuing this value-destroying deal [with Amaya]".*

*Kindred Group had something to celebrate in February after announcing that its financial results had reached an all-time high, with annual sales from gross winnings in 2016 increasing by 54% to £544.1m, primarily pushed by mobile*

*gaming. Following the good news, the company also reached an agreement with 32Red to acquire the operator for £175.6m, its first acquisition since the Stan James takeover back in 2015.*

*After taking over as Cherry AB CEO back in January, the company announced that Anders Holmgren was to become a permanent fixture in this role. In addition, BtoBet appointed Kostandina Zafirovska as its new Chief Executive Officer, whilst previous CEO, Alessandro Fried adopted the new position of Chairman.*

*A number of European licences were awarded to various industry stalwarts in February, with the Czech Republic issuing its first International Licence to PokerStars, after new online gaming regulations were put in place at the beginning of the year. DraftKings also secured a new gaming licence from the Malta Gaming Authority, after a new skill games regulatory framework was introduced in 2016.*

# MARCH

March saw a big month of regulatory upheaval, seeing Australia's federal government placing a ban on online poker and live sports betting. And whilst Australia was closing up a number of regulatory loopholes, Mississippi Governor Phil Bryan approved a bill to legalise daily fantasy sports, allowing operators to apply for a licence to run tournaments in the state. Furthermore, Pennsylvania Senator, Jay Costa, unveiled a new online gambling and gaming reform bill that would too legalise daily fantasy sports and online lottery.

On the other side of the world, a number of online international gambling companies, such as OpenBet, Pinnacle and William Hill decided to leave the Polish market after the government failed to listen to advice from the EU on its "highly restrictive and hostile regulatory environment", which made continued operations non-viable for the respective companies.

Nonetheless, Playtech set its sights on the Czech online casino market, becoming the first supplier to take advantage of the newly-regulated space, launching an online platform under its growing Fortuna brand.

In Asia, monthly gross revenue from games of fortune in Macau climbed by 17.8% in February, marking the seventh month of continued growth. South Korea's lottery sales reached a 13-year high, climbing 9.3% to KRW 3.9tn. Looking to get in on the action, Galaxy Entertainment Group, operator of Galaxy Macau, joined forces with its associates Société des Bains de Mer to bid for a Japanese casino licence.

In terms of corporate restructuring, William Hill appointed Philip Bowcock as its Chief Executive Officer with immediate effect, following the company's long-running search for a replacement since James Henderson left in July 2016. Henderson's departure followed a 3% fall in net revenue for the first quarter of 2016, whilst online net revenue declined by a substantial 11%.

This month also saw the next stage in David Baazov's ongoing dealings with The Stars Group (then Amaya), who sold seven million common shares, almost a third of his stake in the Montreal-based online gambling company that he co-founded.

# APRIL

The gambling-political landscape continued on its ever-evolving path in April, with US Attorney General Jeff Sessions considering the reintroduction of a federal ban on all state-regulated online gambling in the US. Chris Grove, a consultant working in the regulated gambling market, said: "It would be a massive victory for the illegal, off-shore betting industry."

Meanwhile, other US states were taking steps closer towards legalising daily fantasy sports. The Arkansas Senate passed a bill that would legalise daily fantasy sports with a vote of 25-5. Illinois too began looking into creating a new piece of legislative framework, with the Illinois General Assembly reviewing a piece of legislation that would legalise DFS.

Additionally, a gambling expansion bill cleared the Florida Senate, with members voting 32-6 in favour. The bill would make the Sunshine State home to an increased number of casinos, slot machines, and dog and horse racetrack facilities. Elsewhere in the US, Maryland Casino revenue hit new heights with the market growing approximately 20% year-on-year.

In March, the state's six casinos raked in an all-time high figure of \$141.2m in gaming revenue.

In a surprising announcement, Pacific Consortium submitted a record AUS\$7.3bn all-cash offer for Tatts Group, putting a potential stop to the existing deal that was awaiting approval by the Australian Competition Tribunal, between Tabcorp and Tatts Group.

Australia also suffered the loss of another operator leaving the market, with 32Red following in the footsteps of William Hill, 888 Holdings and Vera&John as a result of new legislation clamping down on online gaming.

April saw IGT sell its social casino brand, DoubleDown, to Korean DoubleU Games for \$825m. The firm had previously reported long-term debts of \$7.863bn and hoped to use the proceeds from the sale to reduce this debt.

Further announcements saw 888 Holdings becoming the first stakeholders in the industry to publicly view Brexit as a 'future risk' to its operations. The company stated that should Gibraltar be negatively impacted by the UK's exit from the European Union, the company will consider other alternatives, such as relocating its headquarters to Malta.

# MAY

*Australia continued on its relentless mission to crack down on problem gambling, and in May, an agreement was reached between federal, state and territory ministers. Online gambling sites were now banned from offering lines of credit, banned from advertising to payday lenders, and since then bookies have been required to provide regular activity statements to the government, detailing an individual's wins and losses.*

*Later in the month, the Australian Government also announced it was looking to ban all gambling-related advertisements during live sports broadcasts taking place before the industry watershed of 8:30pm.*

*On a lighter note, May was a big month for financial results, with many companies and regions celebrating the fruits of their labour. Paddy Power Betfair posted impressive first quarter results, mainly attributed to its successful sportsbook division, with underlying profits jumping by 114% to £91m from £42m the year prior. William Hill also reported notable Q1 results, showing a 16% jump in its year-on-year online betting revenues, posting a 41% net revenue increase in Australia and 19% in the US.*

*In Europe, Spain's online gambling market reached an all-time high, with gross gambling revenues for 2016 soaring by 32.6% to €125.7m in Q4.*

*Meanwhile in Macau, gross gaming revenue rose 16.3% year-on-year to US\$2.5bn, due to strong VIP figures. This month Macau also made the move to introduce facial recognition technology that will be used to scan millions of bank card users at ATMs to tackle money laundering and tighten restrictions on cash flows out of the mainland.*

*Amaya's positive financial results showed an 18.5% increase in quarterly profit due to a surge in new customers, increasing by three million to 111 million during the quarter. The company's net income rose to \$65.8m in the first quarter, up from \$55.5m the year-prior. This was also to be the first time Amaya stated its proposal to change its corporate name to 'The Stars Group Inc.'*

*However, it wasn't sunshine and lollipops for all as Atlantic City's streak of good luck came to an end, experiencing its first monthly revenue decline of 2017 so far.*

# JUNE

*In the UK, the court of appeal ruled to allow the UK Gambling Commission to reject licence applications and in the same month the UKGC announced a partnership with the Esports Integrity Coalition to combat malpractice in eSports. Elsewhere in Europe, EU regulators dismissed Gibraltar's contention that a 15% levy on remote gambling by UK citizens was unlawful and would be applicable wherever the prospective gambling company was based.*

*Australia's long-running corporate merger between Tabcorp and Tatts moved a step closer to completion when the Australian Competition Tribunal approved the deal despite the objections of the Australian Competition and Consumer Commission. One of the industry's other big mergers fell flat when US DFS companies FanDuel and Draftkings were denied the chance to merge by the Federal Trade Commission. Another team-up began in June, when MGM Resorts International and Caesars Entertainment agreed to join forces in Atlantic City.*

*In Asia, the fight against corruption raged on, with police in Vietnam busting a \$62m online gambling ring, while their colleagues in China arrested 18 employees of Australian casino operator Crown Resorts on gambling related charges. Legislation efforts to stamp out corruption and money laundering also gained impetus in the Philippines, where casinos were included in AML legislation and in Macau, where tourists would henceforth be required to declare how much currency they bring in when entering the resort, notoriously popular with junkets.*

*What you can and cannot gamble on formed a big part of the American conversation in June, when the American Gaming Association stepped up its efforts to repeal a 25 year-old sports betting law which the Supreme Court announced a review of in June. In New York, online poker legislation stumbled and was delayed until 2018. Nevada met with more success, with its governor signing a bill to legalise off track pari-mutuel sports betting.*

# JULY

**Online gambling was the big story in July, with global web giant Google confirming a decision to allow real money gambling applications to be marketed via its Google Play app store, ending a long-standing self-imposed ban on gambling apps that has been in force since 2013.**

**As one door opens, another one closes, and that was the case for online gambling operator Betsson, which announced the start of legal action against the Dutch authorities for allegedly breaching EU law. Also leading the calls for greater clarity in online gaming was US Senator for Virginia, Mark Warner, who asked the Department of Justice to end a six-year regulatory loophole which could conceivably allow US states to legalise online gambling within their borders.**

**Legal issues were also the focus of discussions in India, where government officials began to draft the country's first online gambling regulatory framework, and in Ireland, where legislators approved raising of the minimum gambling age from 16 to 18.**

**Elsewhere, it was a case of delays, delays, delays for the Russian Federal government, which was forced to take charge of developments in the Primorye Gaming City area following a lack of progress in construction. In the UK, the long-awaited review of fixed odds betting terminals was also delayed following a bust up between the Treasury and Government. Delays turned to rejections and cancellations for DraftKings/Fanduel and Cordish Gaming who both saw new ventures or mergers cancelled and rejected during the month.**

**In a month of announcements, the UK Gambling Commission revealed the launch of a tool to enable customers to make gambling-related complaints, while IGT and Scientific Games extended their lottery reach, signing extension deals in New York and Colorado respectively. In addition, the gaming regulators of France, Italy, Spain and Portugal announced their intention to enter into an agreement concerning liquidity sharing between their regulated online poker markets.**

# AUGUST

**Following their aborted merger, US DFS operators FanDuel and DraftKings focused on their immediate spheres of influence, with FanDuel deciding to withdraw its services from UK customers and US rival DraftKings confirming its interest to expand into Ireland.**

**Staying with Ireland, Irish bookmaker Paddy Power Betfair announced the departure of CEO Breon Corcoran, after six years as the company's CEO.**

**It was also a month of introductions, or at least muted introductions in August. UK regulators again tried to introduce a controversial duty that would see remote gaming freeplays and related discounts taxed in the same way as other bets, despite previously being removed from the UK Government's 2017 Finance Bill.**

**Elsewhere, a judge in India made a landmark ruling stating that daily fantasy sites are in fact games of skill, making them entirely legal in India.**

**One of the biggest alliances in the fight for US sports betting was sealed in August when the National Indian Gaming Association announced it would join forces with the American Sports Betting Coalition, the brainchild of**

**the American Gaming Association. In the same month, the AGA announced new codes on responsible gambling following its successful 2017 Responsible Gaming Education Week.**

**Where some succeeded, others floundered. Developers of the proposed Southport Spit Casino at Australia's Gold Coast were turned down, as were legislators in Pennsylvania looking to legalise DFS/online gambling. Conglomerate GVC also struggled with its takeover talks with Ladbrokes Coral, and the negotiations ended without a deal being agreed.**

**The Pueblo of Pojoaque tribe also grudgingly admitted defeat in their two-year legal battle with the state of New Mexico, signing a new gambling compact which guarantees the state a bigger share of tribal casino revenue.**

**It wasn't all bad news in August, with Las Vegas-based table games supplier Galaxy Gaming reporting a year on-year revenue increase of 19% during the month. Affiliate network Catena Media also won big in August, reporting a 78% year-on-year revenue increase during the first half of 2017.**

# SEPTEMBER

*Preparations for the upcoming Supreme Court hearings into US sports betting began apace in September, with 20 US states and the American Gaming Association signing up in support of efforts by New Jersey to legalise sports betting. Far from sitting on its hands and waiting for the case, New Jersey Governor Chris Christie signed the Fantasy Sports Bill, making New Jersey the sixteenth state to legalise paid-entry fantasy sports.*

*Elsewhere in the US, billionaire casino financier Carl Icahn finally sold an unfinished casino development in Las Vegas for \$600m, seven years after purchasing the site for \$148m, while MGM Resorts announced a controversial \$675m bid to build a casino in Bridgeport, Connecticut right under the noses of the two Indian tribes they had spent the last two years fighting in court. In other tribal-related news, the Iowa Tribe of Oklahoma announced the securing of an online gaming licence in the Isle of Man, marking the first time that a US tribal operator has done so.*

*Across the pond in the UK, the Labour Party announced it was considering proposals that would force UK bookmakers to pay a levy to help treat problem gamblers if it wins the next election, while National lottery operator Camelot Group signed a ten-year deal worth \$2.2bn to manage the US State of Illinois lottery.*

*Further afield, the Swedish market reported a 17% growth spike in its gaming market, Macau gross gaming revenue increased 20.4% and online gaming company Yggdrasil reported a record 116% revenue increase in the first half of 2017.*

*The big shock announcements came later in the month, with Scientific Games announcing a \$631m takeover bid for fellow US firm NYX Gaming Group. Elsewhere, online sports gaming and technology provider Sportech PLC was hit with a double blow when it was revealed that both Chief Executive Ian Penrose and Chief Financial Officer Mickey Kalifa notified the board of their intention to resign.*

# OCTOBER

*In the UK, the focus shifted to the potential targeting of minors by gambling companies following a national newspaper investigation. Responding to the allegations, four UK regulatory groups penned a joint letter to gambling companies asking for the withdrawal of any potentially child-facing content.*

*It was a month of contrasting fortunes for those gaming companies looking to expand, with DraftKings launching DFS contests in both Austria and Ireland during the month, while Crown Resorts' Australian CEO James Packer was forced to dismiss reports that his company was looking to expand into Japan following media speculation over a possible move. Staying with Australia, the Government of Queensland also granted permission to build a second casino in the Gold Coast region.*

*Revenue was king in October with the US casino industry reaching \$3.4bn in gaming revenues, Swedish online gaming specialists Betsson AB reporting an 11%*

*year on-year rise in their group revenue for the third quarter of 2017, and most notably in Macau where gross gaming revenue rose 16.1% year-on-year to MOP 21.4bn (\$2.7bn) for the fourteenth consecutive month.*

*There was some significant action in the mergers and acquisitions space, as Scientific Games announced a \$350m note offering to fund their acquisition of NYX Gaming, LeoVegas concluded a \$100m deal to acquire Royal Panda's online casino and Intralot upped their stake in gaming technology company Bit8 to 65%, giving them controlling interest in the firm.*

*Stateside, the big news was the Supreme Court finally announced 4 December as its date to review the appeal against the constitutional validity of the 1992 Professional and Amateur Sports Protection Act (PASPA) brought by New Jersey officials.*

*Elsewhere in the US, officials from New Jersey inked a shared liquidity arrangement for online poker with fellow US gaming states Nevada and Delaware.*

# NOVEMBER

November was a good month for some UK-based operators and a bad month for others; bet365 reported a 39% increase in its year-on-year revenue in 2017, helping it to breach the £2bn barrier for the first time in its history, while Paddy Power Betfair also reported a more modest rise in its Q3 revenues, jumping by 10%.

These positive figures were in stark contrast to those recorded by IGT, whose revenue fell by 6% during the third quarter of 2017, and the fortunes of Gala Interactive, which was ordered to pay £2.3m in penalties following an investigation into its social responsibility practices.

Regulators across the world had a busy November; in the UK the long-awaited triennial review into the gambling industry was released prompting a flurry of activity by the UKGC, who announced its three-year, five-point plan to strengthen the UK gambling sector.

Elsewhere in Europe, Dutch gambling regulator, the Kansspelautoriteit, issued warnings to six licensed gambling operators for marketing their services on websites with child-oriented content, while regulators

in Brazil took the first steps in legalising the country's gaming market by proposing a vote on a gaming regulatory bill.

Wrestling with regulation was a common theme in the US, where bills to legalise sports betting in New York and online poker in Illinois were considered, and in the case of Illinois were dismissed until the next session of the state's legislature. Preparing the groundwork for the Supreme Court hearing in December, representatives from New Jersey and the New Jersey Thoroughbred Horseman's Association filed legal briefs stating their case before the US Supreme Court.

This year's two biggest corporate deals experienced interesting twists in November, with the Australian Competition Tribunal (ACT) finally approving the A\$11.3bn merger between Australian lottery firms Tabcorp and Tatts Group for a second time. The acquisition of NYX Gaming by Scientific Games hit a snag in November when William Hill leveraged its shares in NYX to potentially vote against the deal, provoking a barrage of lawsuits between the three companies.

# DECEMBER

Whilst many would assume that business would quieten down towards the end of the year, this was far from the case. December started off with a bang, with Crown Resorts being forced to address media speculation that it was looking to divest its 62% interest in horse racing and sports betting brand, CrownBet Pty Ltd, with both Will Hill and Paddy Power reportedly entering preliminary talks to take over the operation.

Justices in the US Supreme Court listened to the first oral arguments in the judicial review into New Jersey's challenge on the legality of sports betting. The current term of the US Supreme Court will end on the 29 June 2018, so any decision must be concluded then or roll over to the next term; the final decision is expected to be released next year.

Unsurprisingly, the Tabcorp-Tatts merger merry-go-round continued on into the final month of the year, however, this time it was more positive news. The ACCC dropped its opposition to the merger, after the ACT approved the merger for a second time last month. Meanwhile, it was full steam ahead for Scientific Games'

potential purchase of NYX, as they too received some good news. William Hill had a change of heart, giving their blessing to the merger and dropping all legal action. Soon to follow was Sky Betting and Gaming, who also gave the acquisition its support after previous concerns.

In the Philippines, a bill was tabled that would see the country's gambling regulator turn into a 'purely regulatory' entity. The move would consolidate all gambling regulatory functions into PACGOR and rename it as the Philippine Amusements and Gaming Authority (PAGA).

Meanwhile, Brazil's proposed gambling legislation was set back yet again, with those close to the situation saying there wouldn't be a conclusion of the issue until 2019.

A phenomenon that took centre stage this month was the differing stances on loot boxes. The issue prompted a number of country regulators to post opinions on the in-game play feature, asking whether it constitutes a form of gambling.

We end the year as we began it, with Macau. Analysts have predicted that it could generate up to \$53bn by 2020, capping a remarkable 12 months for Asia's gaming hub.

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### US REGIONALS CONTINUE TO RISE

US regional gaming revenues continue their upward march, with several states reporting mid-single digit rises in November, a month with a neutral calendar. In Connecticut, Mohegan Sun slot revenues grew 0.44% to \$47.481m in November. Foxwoods' revenues have not been reported yet. Over in Massachusetts, Penn National's Plainridge Park generated \$12.901m in slot revenue, up 5.64% compared to last year.

Pennsylvania's figures have resulted in just the second month this year that both table and slot revenues rose in the same month, with table revenues now having risen for nine straight months.

In the figures for Florida, same-store reflects the absence of Mardi Gras, which has been closed since September due to flooding.

PROPERTY/MARKET	REVENUE (M)	YEAR-OVER-YEAR % CHANGE
Gulfstream	\$4.479	+36.97
Miami Jai Alai	\$5.781	+33.05
Dania Jai Alai	\$2.430	+27.33
Magic City Flagler	\$7.387	+15.51
Calder (CHDN)	\$6.970	+15.28
Hialeah Park	\$6.559	+10.86
Pompano (ERI)	\$9.697	-10.89
<b>State total</b>	<b>\$43.304</b>	<b>+2.03</b>
<b>Same-store</b>	<b>\$43.304</b>	<b>+11.71</b>

FLORIDA

PROPERTY/MARKET	REVENUE (M)	YEAR-OVER-YEAR % CHANGE
Mt. Airy	\$15.434	+10.23
Sands Bethlehem (LVS)	\$44.225	+0.95
Mohegan Sun	\$19.126	-0.37
<b>Northeast PA total</b>	<b>\$78.784</b>	<b>+2.30</b>
Valley Forge Casino Resort	\$9.550	+12.40
SugarHouse (Rush Street)	\$24.801	+1.64
Harrah's (CZR)	\$19.574	-0.71
Parx (Greenwood)	\$43.905	-1.01
<b>Philadelphia total</b>	<b>\$97.831</b>	<b>+0.89</b>
Lady Luck Nemacolin (ERI)	\$2.550	+2.01
Hollywood (PENN)	\$18.688	+1.04
Presque Isle (ERI)	\$9.742	-1.67
<b>State total</b>	<b>\$253.560</b>	<b>+1.57</b>
Rivers (Rush Street)	\$26.648	+6.24
The Meadows (PNK)	\$19.317	-1.82
<b>Pittsburgh total</b>	<b>\$45.965</b>	<b>+2.69</b>

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**CHARLES MCGARRAUGH**  
CEO, STRATAGEM  
TECHNOLOGIES

**AI: LOOKING TO THE END GAME**  
*McGarraugh shows how AI improvements and adoption may result in the birth of a gambling Google*

The gambling industry, like most industries these days, is grappling with the implications of the growing capability and availability of artificial intelligence and machine learning technologies. At Stratagem, we believe widespread AI/ML adoption by operators and suppliers will combine with other industry trends over time, and ultimately prove to be as momentous a development as the rise of mobile and in-play betting before it.

We see a three-stage process playing out. First, in the context of existing workflows and products, the industry will continue to automate out cost and optimise supply and value chains. Following this, the product itself will evolve, leveraging new technology. Finally, the structure of the entire industry is likely to change as new technologies drive consolidation, disintermediation, and an improved customer value proposition.

In the near term, there is wide scope for AI to improve business processes across trading, CRM, marketing, and compliance. For trading, advances in this space should sharpen event modelling and prediction, optimise liability limit setting, automate the laying-off of risk to external venues, and generally allow operators to stand out with smarter capital commitment and pricing/sizing differentiation. On the CRM and marketing side, AI will help churn prediction, bonus optimisation, better wiseguy classification, and ongoing improvements in the optimisation of marketing spend. Compliance systems empowered with AI are likely to continue to improve fraud and problem behavior detection.

But it's when we look a little further ahead, that we see a fundamental impact that causes the product itself to materially improve. The availability of quality data and the technology to harness it will see the offering shift from commodified and information-light, to differentiated and information-rich, empowering the consumer.

Personalised recommendation systems paired with automated data-driven content generation will become commonplace, leading to more informed players and greater customer engagement, ultimately delivering the consumer more entertainment value for their budget. We believe there is great scope for product differentiation here and we are excited to see how operators innovate with the new tools as they become available.

AI also raises the prospect of gathering and integrating more granular and interesting sports data streams into the consumer experience. As an example, recent advances in computer vision systems will soon allow for the real-time streaming of ever more specific event information on-demand. Ultimately, we believe that sports content and wagering market access are likely to be unified into a single holistic entertainment offering, where wagering is a ubiquitous, seamless, and natural part of the fan experience. Robust, data driven second screen and augmented reality products are surely not far off which will support and create the next generation of immersive customer experience.

But what does this mean for the industry? Firstly, the proliferation of product differentiation should allow tech leaders with a great product to lower CPA and churn materially. Second, an increasingly data-rich offering is likely to drive greater price efficiency and transparency for the consumer, resulting in a more trusted offering. When combined with the imminent rise of blockchain infrastructure solutions and the future prospect of more harmonised regulation across borders, this should drive consolidation of secondary market liquidity and increase B2B market flows. In other words, over time we see the market evolving toward thinner margins, higher volumes, more transparent price discovery, and greater risk scalability across a wider spectrum of the sports betting market.

There are real opportunities and challenges here for the industry. Participants will need to carefully consider which product differentiators to concentrate on and how to define their footprints to maintain a sustainable data edge. Tech infrastructure and data science capabilities will play an increased role in driving operating efficiency and ensuring the smartest possible commitment of capital and leveraging of existing client bases and technology assets.

All of this will require investment - we expect the buy vs build decision will pose a constant challenge to participants, given the specialist expertise necessary to implement robust AI solutions. Looking even further ahead, as the market evolves we believe there is likely to be a growing concentration of relatively few entities who have the ability to aggregate and extract the full stack data edge. These operators will capture the value creation potential latent within a growing and increasingly transparent, liquid, and disintermediated market.

Who will become the 'Google of gambling'? Only time will tell.

# NOV/DEC ISSUE OUT NOW

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# THANK YOU

FROM THE TEAM AT GAMBLING INSIDER TO THE GUEST COLUMNISTS WHO HAVE MADE GI FRIDAY SUCH A ESSENTIAL READ IN 2017. HAPPY HOLIDAYS TO YOU ALL!

