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WEEK 07 FRIDAY 17 FEB 2017

PARVUS PUSHING FOR TAKEOVER

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THIS WEEK

- **Kindred results hit all time high**
- **ABB in warning to arcade owners**
- **Kambi's Q4 results fall short**
- **Guest columnist: Stefan Olsson, CEO, Global Gaming**

WEEK 07

FRIDAY 17 FEB 2017

PARVUS PUSHING FOR WILLIAM HILL SALE

William Hill's biggest investor favours an outright sale over any potential industry merger



This weekend The Sunday Times reported that London hedge fund Parvus Asset Management is lobbying for a 2017 sale of William Hill. Parvus is currently William Hill's biggest investor with a 14% shareholding, headed up by Danish financier Mads Eg Gensmann.

The London hedge fund favours a sale of William Hill outright over any potential industry merger. Last October, Parvus terminated discussions of a £4.5bn merger between William Hill and Toronto-listed Amaya Inc, stating that the business combination has "limited strategic logic ad would destroy shareholder value".

In an open-letter, Parvus co-founders, Gensmann and Edoardo Marcadante said: "We strongly encourage that the board and management stops wasting valuable time and shareholder resources pursuing this value-destroying deal.

"Instead, the board and management must focus on maximising value for William Hill owners, rather than Amaya shareholders, by considering all alternative options available, including a sale of William Hill."

A few months down the line and it seems Parvus is sticking true to its word with The Sunday Times reporting that Gensmann has been pushing William Hill governance for several months towards a takeover deal.

However, at the time William Hill stated the potential merger would be "consistent with the strategic objectives of both William Hill and Amaya ►



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THIS WEEK IN NUMBERS



LeoVegas' growth in revenue over the last nine months



Amount Americans lost from gambling in 2016



Amount New Jersey fined Amaya for geolocation flaw



Studio City casino's estimated EBITDA for the first weeks of 2017



Amount Kansspelautoriteit fined Trustfulgames

and would create a clear international leader across online sports betting, poker and casino."

Following discussions with Gensmann and other major shareholders, it decided to terminate discussions with the Toronto-listed company.

Moreover, in August last year, 888 Holdings and The Rank Group withdrew their much publicised proposal for a three-way merger with the FTSE 250 company after both proposals were rejected. In a joint statement the pair said: "It has not been possible to meaningfully engage with the board of William Hill."

888 CEO Itai Frieberger commented on the rejection saying: "We are disappointed that the board of William Hill did not share our vision of the combined businesses. We believe that there was compelling industrial logic for the combination of these highly complementary businesses, which in our view would have brought scale, diversification, and strong revenue cost synergies, from which all shareholders would have benefitted."

KEY POINTS

- Parvus is William Hill's biggest investor
- London-based hedge fund favours outright sale instead of possible merger
- William Hill has abandoned merger discussions with Amaya, 888 and The Rank Group

KINDRED GROUP RESULTS REACH ALL-TIME HIGH

The enlarged group hits revenue record for full-year 2016

Sports betting operator Kindred Group has announced in its year-end report that annual sales from gross winnings in 2016 increased by 54% to £544.1m, pushed by mobile gaming.

Closing its full-year 2016, the enlarged operator posted profit before tax stood at £92.8m for the full year compared to £66.2m in 2015. Similarly, EBITDA for 2016 was £120.7m, up from £77m in 2015. Despite betting duties increasing by 67% for the fourth quarter of 2016 and some unfavourable sporting results,

EBITDA grew by 48% to £38.9m.

Kindred Group's Chief Executive, Henrik Tjärnström comments: "The strong performance of the Group resulted in free cash flow of 57% in the fourth quarter. In the period up to 12 February 2017, average daily gross winnings revenue in GBP was up 36% higher compared to the same period in 2016."

Kindred expect to declare full-year 2016 profits of approx £84m. Looking to the future, the company aims to make at least one acquisition a year to continue its focus on expanding the brand.

THE ABB WARN ARCADE OWNERS

The ABB issued a warning to amusement arcade operators about consumer protection standards

The Association of British Bookmakers has issued a statement in which they urge amusement arcade operators to 'catch up' with other betting stakeholders regarding consumer protection standards and problem gambling awareness.

The ABB was critical of the lack of consumer safety protections, alerts and monitoring at UK arcades following new evidence produced by the UK Gambling Commission, which revealed that consumers are 67% more likely to spend over two hours on arcade gaming machines than on Fixed Odds Betting Terminals in betting shops, while also returning less money.

The ABB note that arcade machines do not display 'safe gambling' messages which accompany FOBTs and the arcades lack staff with the training to help them identify customers who may be at risk from problem gambling. They also criticise there are no set betting limits which are subject to mandatory time and spend alerts on arcade games.

The ABB statement comments: "It is time the amusement arcade industry cleaned up its act and got its house in order. Arcade owners should be doing far more to support responsible gambling. This research from the Gambling Commission clearly shows

€800M

Sum of all deposits LeoVegas acquired
by its fifth birthday



Number of slot machines
in Sobranie Casino

\$3
BILLION

Expected gross gaming revenues
from the Philippines in 2016

that people can lose more money,
more quickly in an amusement arcade
than a betting shop."

KAMBI'S CLOSING YEAR RESULTS FALL SHORT

Weak fourth-quarter margin impacts

**Kambi's full-year results due to
unfavourable sporting results**

Sports betting platform and software supplier Kambi Group posted its Q4 2016 results, revealing the impact that December's customer-friendly sporting results had.

Revenue amounted to €14.3m for the fourth quarter and €56m for the full year 2016, an increase of 17%. Operating profit (EBIT) for the fourth quarter of 2016 was €1.8m, with a margin of 13%, and €8.8m for the full year 2016, with a margin of 16%.

Whilst profit after tax amounted to €7.5m for the full year, the fourth quarter of 2016 only reaped €1.2m. Despite the negative closing results for the fourth quarter, Kambi governance says it was pleased with

the companies' efforts after a tough closing to its full-year performance.

Despite the lower average margins in the quarter, Kambi CEO, Kristian Nylén comments: "I'm very pleased to report that our operators continued to demonstrate the underlying strength of the Kambi Sportsbook and reported solid increases in turnover, even when compared to a strong Q4 2015."

Nonetheless, shares in the Swedish company fell by nearly 7% in Stockholm early on Tuesday following the publication of its results.

More positive news for the supplier came earlier this month, with Kambi confirming a deal to supply Greentube, a subsidiary of Novomatic, with online betting provisions.

Kambi will offer its betting platform to Greentube's brands in Italy, Spain, Germany, Romania and the UK.

The deal furthers a pre-existing relationship between Kambi and Novomatic, with a deal agreed in October last year for Kambi to become the lead sports betting supplier for Novomatic's array of lottery solutions customers.◀

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BIT8 CEO ANGELO DALLI



Can you tell us a bit about Lotto Hero, the ideas behind it, and the reasons for creating an interactive lottery?

Lotto Hero is an exciting mobile-friendly lottery game which gives players the chance to win a guaranteed EUR 1 million an hour, every hour, 24 hours a day. It is fresh, intuitive, and very engaging and we're expecting it to finally put some pizzazz into an ageing vertical that has been patrolled by dinosaurs for far too long. The lottery vertical has been slow to

grasp the online nettle and many operators still don't offer an omni-channel product worthy of the name. the majority of players still view playing lottery products as an offline experience, buying tickets in a retail establishment and waiting for a weekly draw. In particular, lottery isn't really engaging Millennials and is missing out on interaction with a new generation of players used to spin and win betting and gaming. Sportsbook and casino operators have no incentive to plug their customers into a lottery product and cross-sell opportunities are not being utilised. The real idea behind Lotto Hero was to address those issues.

What do you think will appeal to operators about Lotto Hero?

It's a completely new game concept for the iGaming market and unlike anything that is currently being offered. It's great for portfolio diversification. It's risk free – as Bit8 will cover any pay-outs. We're also sorting out the licence agreements. It is the perfect tool for cross-selling

customers, as well as customer retention, reactivation, and acquisition. The commission structure is very attractive, with a much higher return than many casino products such as slots. Lastly, we're expecting API implementation to take no longer than ten working days. Anyone that signs-up in this initial launch phase will have no development costs either. I really believe it will give operators an extra edge in retaining their customers and acquiring new ones.

You say Lotto Hero is designed to appeal to Millennials, do you think targeting this audience is vital part of creating a successful product?

It's an obvious point, but I think if we don't engage with younger adults and the next generation of players we will be in trouble as an industry. As the move towards mobile has proven, we are shifting towards new devices and the use of technology people are using more and more in their work and leisure time. That is particularly the case for Millennials, who would be far more at home playing lottery

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on their phones than they are buying lottery tickets in-shop if they had a viable option. What they don't have at the moment is a great lottery product geared up for mobile, or that taps in to the way they like to entertain or engage with a betting product. Lotto Hero fills that gap.

How would you assess Bit8's performance in 2016?

2016 was a great year for us. Obviously most of it focused on our platform and we had great successes rolling that out in places such as Romania. The platform will continue to be important to the business and our customers who use it. But we are very excited about Lotto Hero and the opportunities it presents for both existing and new customers. The online lottery sector is crying out for some innovation and we feel that we've delivered it.

Where do you hope to see Bit8 this time next year? And what are the major challenges this industry will face in the coming 12 months?

I'm very confident that we will have a host of operators in different territories signed up to Lotto Hero. We will then be a significant player in the lottery vertical, as well as a casino platform provider. I think as an industry we face major challenges, when it comes to regulation and taxation. But these aren't particularly new. What we need to do is innovate and come up with solutions that help acquire more players, retain existing ones and entertain them. Lotto Hero gives operators the chance to transform the lives of their players from ordinary to extraordinary.

What have your highlights been at ICE this year? What is the importance of shows such as this to Bit8?

Lotto Hero is an exciting mobile-friendly lottery game which gives players the chance to win a guar

Can you tell us a bit about Lotto Hero, the ideas behind it, and the reasons for creating an interactive lottery?

Lottoobviously. We had a lot of interest and it was the perfect forum

in which to launch a new product like that with the whole of the industry in town. Otherwise, it was a great opportunity to catch up with clients and meet some new people. The industry is constantly evolving and shows are a great opportunity to talk about the challenges we face and business opportunities. It's an important three days for us each year.



ICE REVIEW 2017



ICE TOTALY GAMING RETURNED FOR 2017, BIGGER AND BETTER THAN EVER

Companies from across the world of gaming gathered in London last week, all eager to showcase their latest innovations in the city's premier conference and exhibition space, the ExCeL.

With thousands of people in attendance and exciting features such as the ICE Vox conference schedule available, alongside a number of networking highlights, this year's iteration of one of gaming's most hotly anticipated shows was certainly one to remember.





GUEST COLUMNIST:



STEFAN OLSSON
GLOBAL GAMING CEO

CATCHING UP WITH GI AT ICE, STEFAN OLSSON OFFERS HIS THOUGHTS ON THE LAUNCH OF NINJA CASINO

Can you explain why Ninja Casino stands out among your offerings?

The main difference between Ninja Casino and our other brands is ease of the registration process; the customer can make a deposit on our site without a lengthy sign-up process, and we can automatically create an account that we know definitely belongs to an individual. Thanks to an eID log-in, connected to a verified bank account, we can confirm that a player is over 18 and be sure of their location. If the player wins, we can automatically process that payout. As we don't use personal details in the conventional way, players can be sure that we won't spam them with marketing emails that they simply do not want; gaming becomes quick, easy and hassle-free for the customer. We feel it is this new way of playing that will encourage them return to our site.

Were there any challenges in launching your new product in such a heavily saturated market?

The varied regulatory landscape is the biggest challenge. In many jurisdictions the regulatory framework is outdated, often remaining unchanged for more than a decade. It is not always equipped to address the technological advancements that the industry has created and adopted in response to consumer expectations.

As a fairly new company, how difficult has it been to break into the industry?

While Global Gaming in itself is a relatively new company, it was born from the merger of online poker and casino developer, Connected Table, and digital marketing specialist, LMA Gaming. We also have a team filled with industry experience. However, it is very hard for new companies and products to break into the gaming industry, so you really need to be ahead of the curve and create something unique to be successful. We try to apply this philosophy across the business. Take our marketing strategy for

Ninja Casino as an example. Our respectful approach to our players' privacy means that we are communicating with them in a totally different way to most operators.

It appears that many of your brands are targeting the Nordic market - why is this?

We have a strong heritage of operating in the Nordics, which stems from many years of working with affiliates and developing a database of players from Sweden and Finland. Ninja Casino works well in here as consumers have been enthusiastic in their adoption of electronic ID.

Will Global Gaming make efforts to target other markets in the near future?

We are indeed looking at expanding into other markets, and we are confident about doing so as we have a unique selling point that will keep us ahead of the game. We are working closely with a number of jurisdictions. It is a matter of explaining that our offering and approach is distinctive, and highlighting the regulatory advantages of having an innovative system like ours in place. It's a new way of thinking. We have seen that as the regulators understand it, they become more open to our offering and inclined to work with us to produce a regulatory structure that it fits within.

As well as working with regulators, do you also have to educate players when it comes to an innovative product like Ninja Casino?

If you deliver a technologically advanced product that breaks the norm, you also need to work hard to get a wide range of parties on board. In our case, one of the challenges is to convince potential users that it is completely safe and secure. Even though we know it is technically operational and reliable, the end user does not immediately understand that. That is why Global Gaming is determined to offer the tightest possible security measures by going above minimum and standard protocols. Beyond that, winning high-profile industry awards, as we have done recently, is an excellent endorsement of the quality offering that we have created. It delivers a message to players that Ninja Casino is safe and reliable.

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