



WEEK 01

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2017 MERGERS TRANSFORM GAMING LANDSCAPE

Mergers spawn a new generation of industry heavyweights

THIS WEEK

- **Crown Resorts agrees to the \$150m sale of CrownBet**

- **Irish government rejects betting tax increase**

- **Boyd Gaming to acquire Valley Forge Casino resort**

- **Guest Columnist: Joachim Timmermans Chief Product Officer, Quickspin**



Christmas came early for a number of operators in the gambling industry, with a number of multi-million dollar mergers taking place during the Christmas period.

The largest of these was between global gaming company GVC Holdings and UK sports betting goliath Ladbrokes Coral, who agreed a \$4bn merger deal, putting an end to months of speculation over a tie-up.

Under the agreed deal, GVC valued the firm at 160.9p a share, with additional loan notes included at an extra 42.8p per share. The merger will result in GVC owning 53.5% of the combined group, with Ladbrokes Coral shareholders owning the remaining 46.5%. GVC Holdings Chairman, Kenneth Alexander will head up the new entity.

However, the final acquisition cost is dependent on the outcome of the UK Government's long-awaited triennial review into the gambling industry, where it is expected to announce the implementation of restrictions on fixed ▶



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THIS WEEK IN NUMBERS



The number of acquisitions Better Collective finalised in 2017

\$2.25bn

The amount Baha Mar developers have sued Chinese construction firm, China Construction America, for purposefully delaying the development of the Integrated Resort



100%

The majority stake Cherry acquired in affiliate company, Game Lounge Limited



The year-on-year percentage increase in gaming revenue in Macau during 2017

£4.27m



The amount Kenyan online sports betting firm, Sportspesa has withdrawn in direct annual sponsorship for the country's main football league and other sports after a government tax hike

odd betting terminals, potentially wiping millions of pounds from Ladbrokes Coral's net asset value.

Across the Atlantic, shareholders of NYX Gaming Group approved the \$631m acquisition of the company by fellow gaming giant Scientific Games Corporation at a meeting of the company's shareholders in Las Vegas.

Shareholders present at the meeting voted overwhelmingly in two votes; one to approve the scheme of arrangement (filed with a court in Guernsey) and the second authorising NYX Gaming Group directors to amend the company's articles of incorporation to facilitate the merger of the businesses.

Under Guernsey law, acquisition votes must receive at least 75% support from shareholders before any approval can take place. A final hearing before the Royal Court of Guernsey will take place on 5 January in which a judge will potentially approve the results of the vote and ratify the acquisition.

Voicing his approval of the shareholders' vote, NYX Gaming Group CEO, Matt Davey said: "The acquisition will be a win-win for both companies and our collective shareholders.

"By joining Scientific Games, we will become part of a company with unmatched global reach, resources and industry leading content.

"The leaders of both NYX and Scientific Games are committed to delivering significant value for our customers across the full spectrum of digital gaming."

The final mega-merger closed over the festive period was that between Australian lottery operator Tabcorp and Tatts Group, with proceedings on the A\$11.3bn deal bringing to an end a year-long saga after receiving approval from the Supreme Court of Victoria.

Following the approval of the takeover schedule, trading of shares in Tatts Group was suspended, with Tatts becoming a wholly owned subsidiary of Tabcorp. At the same time, the new executive team was announced, with Tabcorp CEO David Attenborough set to continue as CEO of

the combined group.

Tabcorp will have a total of eight executives on the new board, with Tatts Group executives including Director of Lotteries and Keno, Sue van der Merwe, Managing Director of Gaming Services, Frank Makryllos and Chief Information Officer Mandy Ross rounding out the 11-strong team.

In a statement announcing the appointments, Tabcorp CEO David Attenborough said: "Tabcorp's new Executive Leadership Team brings together executives from both Tabcorp and Tatts.

"I am very pleased to have such a strong team in place from day one as we enter a new era for these two great companies."

KEY POINTS

- GVC Holdings to acquire Ladbrokes Coral for \$4bn
- Scientific Games/ NYX Gaming Group merger approved by shareholders
- Tabcorp and Tatts Group merger commences

CROWN RESORTS AGREES TO THE \$150M SALE OF CROWNBET

Announcement follows speculation over a potential deal last month

During 2017's late flurry of dealmaking, Crown Resorts announced that it has agreed to the \$150m sale of its majority stake in CrownBet, a deal set to be completed by the end of February this year.

The sale follows on from the company's recent string of sales, allowing it to focus on a number of its core assets such as its construction of the \$1.5bn Barangaroo Crown Sydney Hotel Resort, along with other casino properties in Melbourne and Perth.

Earlier in the year, Crown sold its interests in joint-venture casinos in Macau and disposed of a vacant lot in Las Vegas where it had originally planned to build a new casino development.

Its most recent deal saw Crown Resorts sell off its 62% stake in the bookmaking subsidiary to investors including CrownBet Chief Executive, Matthew Tripp.



01/18

The original opening date for the Jeju Shinhwa World's foreigner only casino prior to a delay seeing the launch pushed back to a 'later date'

\$35.8M

The amount Lawrence Investments, a venture capital investment firm headed by Oracle Corp., will pay to acquire Cal Neva Resort & Casino



15%
The year-on-year percentage increase in Aristocrat's revenues during 2017

Estimates put the sale amount at AU\$150m and the deal is subject to the buyers arranging satisfactory financing, Crown confirmed in a statement on the Australian Stock Exchange. The deal is part of a series of disinvestments made by Crown Resorts with the eventual aim of raising over \$700m, much of which will go towards eliminating its debt.

The announcement comes after news broke late last year detailing that Crown had entered into discussions with both William Hill and Paddy Power.

During the same period, the company also decided to drop its long-running legal action against the possible merger between sports betting giants, Tabcorp and Tatts.

revenue paid by the country's betting operators in the wake of outcry from the industry.

Paschal Donohoe, Irish Minister for Finance, was presented with three proposals by the Department of Finance which could have potentially raised around €50m from locally-regulated bookmakers. The first of these proposals, which was the most popular among officials, was to increase the current tax rate from 1% to 2%. The second option was to tax the bettor, which sources at the Department of Finance stated would raise "the possibility of punters seeking out alternative untaxed forms of betting or a move towards unlicensed operators." Its final proposed option suggested a special tax on the gross profits of bookmaking firms, which said that: "There is no doubt that a move to gross profits would be of advantage to business as the level of tax payable will change in response to margins. From a revenue point of view there is less stability around the yield of the tax and it is more susceptible to changes in the trade environment.

IRISH GOVERNMENT REJECTS BETTING TAX INCREASE

Proposals rejected following review
The Irish Finance Minister has publicly dismissed a number of proposals to increase the current 1% tax rate on

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"The final proposal was dismissed by the Minister, who said that it would require significant work before it could be enforced."

Thirteen separate Irish bookmakers lodged complaints about the proposals, stating that they could be potentially damaging to the industry and lead to the closure of many individual or smaller operators and job losses. In a statement, the Department of Finance said: "The Minister received a number of submissions for possible inclusion in Budget 2018. He took the decision that any potential actions on foot of the Betting Tax Review should be considered as part of Budget 2019."

BOYD GAMING TO ACQUIRE VALLEY FORGE CASINO RESORT

Developer makes first purchase in Pennsylvania with multi-million dollar deal

American casino operator Boyd Gaming Corporation has announced it has entered into

an agreement to acquire the Valley Forge Casino Resort in King of Prussia, Pennsylvania, for a fee of \$280.5m.

The Valley Forge Casino Resort has over 500 hotel rooms, eight restaurants and bars and a 40,000-square-foot casino with 600 slot machines and 50 table games.

It has more than 100,000 square feet of meeting, convention and exhibition space and is located 20 miles west of Philadelphia.

Following the passage of gaming expansion legislation by the state in November of 2017, Valley Forge eliminated its customer admission fee, announcing plans to add a further 250 slot machines in early 2018. The deal is expected to complete during the third quarter of 2018.

This deal marks Boyd's first casino purchase in Pennsylvania, and follows the announcement that the company would also purchase the Ameristar Kansas

City and Ameristar St. Charles in Missouri; Belterra Casino Resort in Indiana; and Belterra Park in Ohio from Pinnacle Entertainment for a combined fee of \$575m last month.

The Company expects the acquisition to be free cash flow positive and immediately accretive to earnings.

In a statement announcing the acquisition, Keith Smith, President and CEO of Boyd Gaming said: "With the successful completion of our acquisitions of Valley Forge and the Pinnacle assets, Boyd Gaming will gain direct access to four of the nation's largest gaming markets – Philadelphia, St. Louis, Kansas City and Cincinnati – with a combined population of nearly 10 million adults.

"We will expand our nationwide presence, operating 29 properties across ten states. We believe this expansion will help drive additional growth throughout our nationwide portfolio, as we market our destination properties to these new customers in the Midwest and Northeast."

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NV STRIP SLIPS

While attention is focused on the decline in Strip gaming revenue, the rest of Nevada enjoyed healthy growth in November.

Downtown Las Vegas in particular continued its surge, rising 6.82%.

The Strip's decline appears to show some continued lag from the October shootings at Mandalay Bay, perhaps also evidenced by a 3.7% decrease in visitation during the month.

However, gaming revenues also suffered from lower table hold than last year while combined blackjack and baccarat drop was nearly flat.

% CHANGE	REVENUE (\$M)	YEAR-OVER-YEAR
Nevada	\$909.007	-2.30%
Las Vegas Strip	\$485.753	-6.04%
Clark County	\$785.062	-3.21%
Downtown LV	\$54.232	+6.82%
North LV	\$23.879	+2.56%
Laughlin	\$42.231	+4.93%
Boulder Strip	\$72.847	+0.08%
Mesquite	\$10.755	+8.78%
Balance of County	\$95.365	-1.84%
Las Vegas locals market	\$192.091	-0.59%

US STOCK UPDATE

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

COMPANY	52-WEEK HIGH AS OF WEDNESDAY
Tropicana +4.38	\$59.05
Churchill Downs +2.30	\$238.05

Washoe County	\$63.263	+2.00%
Reno	\$45.675	-0.08%
Sparks	\$10.186	flat
North Lake Tahoe	\$1.859	+18.90%
Balance of County	\$5.542	+21.48%
South Lake Tahoe	\$15.511	-2.92%
Elko County	\$23.371	+11.84%
Wendover	\$15.830	+14.99%
Balance of County	\$7.541	+5.77%
Carson Valley Area	\$8.671	+10.83%
Other areas	\$13.129	+4.52%

GUEST COLUMNIST:



JOACHIM TIMMERMANS

CHIEF PRODUCT
OFFICER, QUICKSPIN

TAKING SLOTS TO THE NEXT LEVEL
Timmermans talks to GI about the power of gamification in delivering the next phase of slots development

It is no secret that video slots have grown to dominate the online casino market. Players looking to enjoy an engaging online casino experience now have a smorgasbord of options at their disposal, able to access one of hundreds of games with a few clicks of a mouse or swipes of a finger.

And yet the choice at a player's fingertips is not in question. Most operators now boast hundreds, if not thousands of video slots, with many new games being released and going live every single week. For development studios, driving that all important goal of "stickiness" remains a distinct challenge.

Powering their slots at the forefront of platform provider's content aggregation engines, and having them remain at the top of their operating partners' websites in the face of an increasingly competitive marketplace is becoming ever more demanding.

Delivering expertly modelled games, with intricately incorporated and innovative bonus features is certainly key in driving player engagement, but it is becoming increasingly clear that developers need to deploy a range of new and exciting tools in order to keep players coming back.

THE POWER OF GAMIFICATION

Enter gamification. It is a subject that has been on the lips of many in the gaming industry over the last year, but there are precious few providers that have committed to making it a core factor in their player retention strategy. In a market where there is insatiable demand for new content, slots need a twist that can motivate those players to return on a regular basis.

Gamification is unique in its ability to add this twist to the traditional slot formula, turning the novelty of a successful slot game into what can be considered true longevity. Stunning graphics and expertly-woven maths models are a key part of the process, but it is in rewarding players for playing with the addition of leader boards, achievements, and similar loyalty drivers that developers can truly begin looking at extending the commercial lifetime of their games.

At Quickspin, we have made this a fundamental part of our growth strategy through the last 12 months. We recognise that rewarding players for playing is the most effective way to keep them coming back, and we made good on this proposition with the launch of our Achievements Engine in April 2017.

The Achievements Engine was designed and developed to offer players a more fun and rewarding experience from their online slot experience. It makes use of six unique game events that occur in all of our uniquely innovative slot titles, such as when a scatter appears, or when the player has a win with wild symbols. The system then rewards players with Quickspin tokens for achieving them.

These achievements are set over four levels, paying out at each, and players can then cash in their tokens to trigger the game's Free Spins Bonus feature. The progress players have made towards the next achievement is easily trackable through a simple page incorporated into each and every Quickspin slot – the tool is outwardly simple, but provides a tremendous boost to the slot's entertainment value through giving back part of a player's anticipated losses.

We built on this system in December 2017 with the launch of Achievements Races. The enhancement further maximises the retention opportunities for operators. The races help to put the spotlight on achievements, allowing their rewards to be more easily obtained over a set period of time, up to four times as fast.

While the tools mentioned here do not revolutionise the core gameplay experience that our slots provide to players, they add a valuable extra layer of user engagement, and give players the extra incentive they need to keep coming back.

The Achievements Engine takes the traditional slot concept, and upgrades it such a way that players will wonder how they ever played slots any other way. Gamification is the next step in the evolution of slot play, allowing for impressively expanded user retention. Far more than a passing fad, it is something that all slot developers and operators should embrace in order to take slots to the next level.

Joachim Timmermans is a leading figure in online casinos having worked in senior positions on both the operator and supplier sides of the industry. He co-founded Quickspin in September 2011 and is the Swedish slot supplier's Chief Product Officer. Before that he spent nearly six years as Head of Casino and Games at Unibet.

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