GI FRIDAY

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THIS WEEK

- UKGC calls for cuts to FOBT stakes
- Record breaking 2017 for XLMedia
- CMA approves GVC/ Ladbrokes Coral tie up
- Google bans cryptocurrency ads

GUEST COLUMNIST:

- Simon Hammon, CPO, Relax Gaming

WEEK 12

FRIDAY 23 MAR 2018

JAMES PACKER RESIGNS AS CROWN RESORTS DIRECTOR

Mental health issues cause the casino mogul to step down from his role

Australian casino developer, Crown Resorts, has announced that James Packer will step down from his role as director of the business, citing mental health reasons.

A spokesperson for his private investment company, Consolidated Press Holdings, said: "Mr Packer is suffering from mental health issues. At this time he intends to step back from all commitments."

In a statement confirming the move, Crown Resorts Executive Chairman, John Alexander, said: "We have appreciated James' contribution to the Board and respect his decision to step down from his role as a director at this time."

Packer is reportedly undergoing treatment for anxiety and depression in the US.

The move marks the end of a tumultuous period for James Packer, who returned to helm Crown Resorts in January 2017, following the departure of its previous ▸

THIS WEEK IN NUMBERS

£304.6m

The total amount of gaming revenue Jackpotjoy generated during FY2017

28.9%

The year-on-year increase in Mr Green's overall revenue in 2017, following a successful entrance into the Danish market

Chairman, Robert Rankin. Packer himself had previously resigned from the directorial role in December 2015.

Crown Resorts has been forced to scale back its operations over the last two years, with Packer presiding over the demise of the business' decade-long expansion efforts in Asia. In 2016, 18 Crown employees, including the company's then Head of International VIP Gambling, Jason O'Connor, were detained by Chinese authorities over allegations that they promoted gambling in the region. All employees were later released, but by then, the reputational damage had been done.

In May 2017, the long standing joint venture between Crown Resorts and Asian gaming heavyweight, Melco Resorts, ended, with Melco CEO Lawrence Ho saying at the time: "Despite our positive history with Crown, I made the strategic decision to terminate the joint venture arrangement and allow Melco to pursue Japan alone." Following the breakdown, Crown Resorts began a period of strategic realignment; moves which saw the company abandon its worldwide expansion plans, and instead allowing the company to focus on its native market in Australia. Designs on a Las Vegas expansion were abandoned in a $300m land deal with Wynn Resorts, while its sports betting business CrownBet was divested in a AU$150m sale to a consortium led by CrownBet CEO, Matthew Tripp. Given his chequered history with the company he founded, Packer may choose to return once again to the business once his treatment is completed. However, it seems removing himself from the Crown Resorts equation may be the best business decision for now.

KEY POINTS

- James Packer steps down as Crown Resorts director
- Packer seeking treatment for mental health issues
- The end of a turbulent period for the Australian operator?

UKGC CALLS FOR CUTS TO FOBT STAKES

Move follows 12-week long consultation

UK gambling industry watchdog, the Gambling Commission has released its

$140m

The amount Harrah's Las Vegas has pumped into a transformation of the Valley Tower, to celebrate its 80th anniversary

$18.9m

The amount the Macau Government has ordered the Macau Race Co Ltd to pay in backdated dues within three years or risk termination of its recently-extended operating rights

$500M

The cost of Galaxy's new Philippines casino project, which has now been granted a licence from Pagcor

4%

The year-on-year rise in 888 Holdings' group revenues for the full-year 2017

formal advice to the UK Government, following a 12-week consultation on fixed odds betting terminals (FOBTs).

Addressing the public outcry over the so called "crack cocaine" of gambling, the commission has issued a letter to Matt Hancock, Secretary of State for Digital, Culture, Media and Sport calling for the maximum stake on slots based FOBT's to be cut to £2.

At the same time, the UKGC has said that there should also be a cut in the maximum stake for non slots-based FOBT's to £30.

In a statement, Gambling Commission Chief Executive, Neil McArthur, said: "We've put consumers at the heart of our advice – advice which is based on the best available evidence and is focussed on reducing the risk of gambling-related harm.

"In our judgement, a stake cut for fixed odds betting terminals alone doesn't go far enough to protect vulnerable people. That is why we have recommended a stake cut plus a comprehensive package of other measures to protect consumers.

"We have proposed actions that will tackle both the risk of harm and provide solutions that are sustainable in the longer term."

Although these recommendations are not binding and the Secretary of State can choose to dismiss them, any cut would have a potentially damaging effect on the retail bookmaking and UK gambling industry.

However, at the same time, the government must be seen to be taking action to address the damaging consequences of these highly controversial terminals, which arguably "blight lives" and create many problem gamblers.

The proposed cuts could form a happy median between preserving the interests of UK gambling industry stakeholders, preserving the positive contribution that FOBTs make to the UK treasury every year, and nipping the controversial issue in the bud.

RECORD BREAKING 2017 FOR XLMEDIA

The only way is up for the affiliate network

XLMedia has announced a 33% year-on-year rise in its revenues during the full-year 2017. Issuing a full financial report for the year, the company posted record breaking revenue figures of $137.6m, surpassing the $103.6m generated during 2016. The affiliate network's gross profits for 2017 also make good reading, rising 37% to $73.1m, from a 2016 high of $53.3m.

In a statement accompanying the results Ory Weihs, Chief Executive Officer of XLMedia, commented: "We are delighted to have delivered another record performance for the Group, underpinned by our clear strategic vision. Elsewhere, core markets continue to perform well, and alongside the acquisitions and ongoing investment in technology, we are confident these will generate significant returns."

Profits before tax jumped to $39.3m in 2017 from a 2016 high of $31m, while adjusted EBITDA increased 36% year-on-year from $34.6m generated during 2016, to $47.1m in 2017.

During 2017, the company concluded two high profile personal finance website acquisitions which have since been fully integrated into the business, while also acquiring US cyber security comparison website Securethoughts. At the same time, the business expanded into Romania, acquiring a portfolio of publishing assets in this newly regulated market. Weihs added: "Our recent entry into the personal finance sector is already delivering tangible benefits with potential for further upside, while the core activities continue to deliver solid growth."

CMA APPROVES GVC/ LADBROKES CORAL TIE-UP

Concerns about competition unfounded

GVC Holdings' £4bn takeover of UK bookmaking goliath, Ladbrokes Coral, has been given the seal of approval by the Competition and Markets Authority.

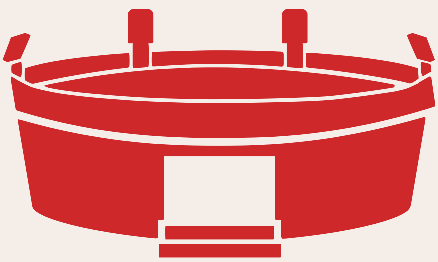
As a part of the regulatory process, the CMA conducted a full investigation into the deal to ascertain if there would be any potential "lessening of competition" in the UK gambling industry as a result.

These concerns were dismissed by the CMA, who declared that following its investigation it had found the companies to not be "close rivals and there are many other providers of betting and gaming services online".

831m

The total number of right issues shares The 13 Hotel received in a rights issues exercise

$10m



The cost of a new eSports stadium that is currently being built in Texas

The move comes after shareholders in both companies overwhelmingly approved the £4bn merger last month. A key factor in the multi-billion pound deal, is the proposed cuts to FOBT stakes, a move which could reduce the profitability of Ladbrokes Coral and put 1,500 jobs at risk.

The CMA added that it "looked closely at betting services for individual sports and individual games but found that, in all cases, there will be enough rivals to the merged entity to prevent price increases or a reduced quality of service as a result of the merger".

THE END OF THE ROAD FOR CRYPTOCURRENCIES ON GOOGLE?

Web giant announces stringent restrictions

Global web supremo, Google, has confirmed that cryptocurrency advertising will be banned on its platforms from June onwards.

Publishing an updated version of its restricted financial products policy, the company has instituted a ban on "cryptocurrencies and related content (including but not limited to initial coin offerings, cryptocurrency exchanges, cryptocurrency wallets, and cryptocurrency trading advice)". Reports on the *BBC* website claim that Google "decided to act because it felt there was a lack of appropriate consumer protections for highly speculative and complex trades".

Under the new restrictions, advertisers and affiliates offering rolling spot Forex, contracts for difference and financial spread betting will be required to be certified by Google before they can advertise through AdWords, with certification only being available in certain countries.

A certified advertiser will in turn need to be licensed by the relevant financial services authority in the country or countries they are targeting, ensure their landing pages and advertisements comply with all AdWords policies and comply with relevant legal requirements, including those related to complex speculative financial products.

DATA CENTRE

Provided by *fantiniresearch.com*

NORTHEAST REVENUE UPDATE

Connecticut, Massachusetts and Pennsylvania were a mixed bag of revenue during February, which had an equal calendar.

The Mohegan Sun resort casino in Connecticut generated $46.915m in slot revenue, which was down by 1.14%, while slot revenue at Penn National's Plainridge Park in Massachusetts was up 15.02% to $13.876m.

Foxwoods' slot revenue will be reported later this month.

In Pennsylvania, table revenues thrived and offset a 1.67% decline in slot revenues.

In fact, table revenues' 11.24% year-over-year growth was the state's best performance since April 2016.

The opening of the new Resorts World Catskills in New York adversely affected Pennsylvania's three Northeast casinos, causing the market to fall $3.872m, or 4.87%.

However, factor out the market and the state would have been up 4.53%

US STOCK UPDATE *Only AGS, which recently had its first IPO hit 52-week high this week*	
AGS	$22.04

PHILADELPHIA	REVENUE ($M)	YEAR-OVER-YEAR PERCENTAGE CHANGE
Valley Forge Casino Resort	10.432	+15.43
Parx (Greenwood)	48.832	+9.66
SugarHouse (Rush Street)	24.805	+8.93
Harrah's (CZR)	21.980	+1.01
Philadelphia total	*106.048*	*+8.11*
NORTHEAST PA		
Sands Bethlehem (LVS)	43.019	-2.34
Mohegan Sun	19.506	-4.02
Mt. Airy	13.064	-13.42
Northeast PA total	*75.589*	*-4.87*
PITTSBURGH		
Rivers (Rush Street)	28.641	+4.45
The Meadows (PNK)	20.377	+0.06
Pittsburgh total	*49.018*	*+2.58*
ELSEWHERE		
Presque Isle (ERI)	10.267	+0.71
Hollywood (PENN)	19.271	-4.22
Lady Luck Nemacolin (ERI)	2.621	-10.05
State total	*262.814*	*+1.64*

GUEST COLUMNIST:

SIMON HAMMON
CPO, RELAX GAMING

SQUEEZED MARGINS FORCING TABLE GAMES RETHINK

As competitive pressures and regulatory costs threaten to erode gaming margins, Hammon argues for a rethink in the operator-supplier relationship

Gaming verticals inevitably have their peaks and troughs in terms of popularity. Both within demographics and across different territories, it's easy to see why players would prefer quick and easy access to certain content on a mobile device, which may be different to that which they'd enjoyed on desktops a couple of years previously.

At present, we're seeing a resurgence in video slots on the back of gamification and more playable HTML5 content, and in some territories we've seen a pick-up in poker participation due to more socially-led, on-the-go content. One area we've perhaps not seen as much innovation in recent years though, is table games.

This isn't to say there hasn't been any. Blackjack has seen added side bets, roulette animation is constantly being improved, live versions have been added and all titles have been primed successfully for the smaller screen. However, what has kept table games as the backbone of a strong casino product over time, has been their simplicity and likeliness to the real thing on the casino floor.

At the core of a viable, profitable table game is a high-quality feel and intuitive, trustworthy RNG engine. Some suppliers have trended towards the 'bells and whistles' approach to differentiate, but this comes with the risk of cluttering what should be a simplistic layout as well as passing unnecessary production costs onto the operator.

As the digital sector gets evermore saturated by new entrants and affected by the wider competitive pressures which drive marketing costs up and force brand loyalty down, it's important for operators to understand the true value of table games as part of their complete casino offering.

On joining a new casino, it's often the table games that players flock to first. They want to bed into a new user interface by looking for a clean, intuitive experience, rather than more complicated poker networks or the hugely differing quality of the slots space. Table games are the essence of a casino experience and it's imperative that operators don't underestimate the importance of this.

They act as a platform to cross-sell into more profitable products and therefore, operator investment in them should reflect this indirect approach. Prohibitive supplier pricing will negate the tight margins that operators must deal with in table games, and that's why we at Relax Gaming have looked for a more progressive, relationship-building approach to them.

This starts from offering them at a highly competitive rate. Table games are a hygiene factor, not an acquisition tool, so providing they are premium in their feel and deliver the user experience players demand from these classic titles, then their job is done. Investing extra resource in going beyond what's demanded is unnecessary and could be counterproductive.

It's important to note that a lower cost does not mean a poorer quality product. Instead, we've invested significantly to map the bounce of the roulette ball, the subtle draw of a card and the wider soundscape with the highest detail possible, ensuring the digital version offers an experience as close as possible to the real thing. However, we've kept this cost internalised, knowing of the benefits in partnership down the line.

This approach to price allows us to build relationships with partners on a strong footing. To ensure profits elsewhere, they need low-cost table games now, and down the line this will help us understand each other's content requirements and ensure integration processes into other verticals will be more streamlined and relevantin the future.

Table games are hard to market effectively due to their homogenous nature, and so games with unique new features will struggle to be fully utilised and may end up cluttering an operator's game offering rather than bringing incremental revenues to it.

There's no doubting that the vertical is here to stay. Table games have long been the staple of the casino experience and will continue to be so in the coming years. However, with industry trends towards greater taxation and regulatory costs, low table game margins need to be protected wherever possible. Therefore, a relationship approach, with operators and suppliers both viewing the likes of roulette as commodities and not stand-alone acquisition tools, must be the way forward.

It's conducive to longer-term partnerships, allowing suppliers to cross-sell their own products while guaranteeing operators protected margin, without sacrificing game quality and therefore the user experience.