



WEEK 16

FRIDAY 20 APR 2018

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THIS WEEK

- **DraftKings setting sail for Australia**
- **China approves gambling expansion in Hainan**
- **Caesars announces operational expansion**
- **Danish online gambling market up 19% in 2017**

GUEST COLUMNIST:

- **Jane Jee, CEO, Kompli-Global**

ICAHN CASHES OUT WITH TROPICANA SALE

Eldorado Resorts Inc. scoops up the casino operations in a \$1.85bn deal



Billionaire investor, Carl Icahn, has cashed out of Tropicana Entertainment, in a \$1.85bn cash transaction deal that will see Eldorado Resorts taking over at the helm.

The billionaire investor first acquired an interest in Las Vegas-based Tropicana in 2008 when it was in the throes of bankruptcy. However, since then Icahn Enterprises turned Tropicana around by revamping its management team, hiring Tony Rodio as chief executive, and reinvesting profits into operations.

Nonetheless, the deal will see Tropicana sell six of the eight casino properties it now runs to Gaming and Leisure Properties for a total of \$1.21bn, while Eldorado Resorts will take over the casino operations.

The announcement came moments after another press release revealed the company would also be purchasing the Grand Victoria Casino for a cool \$327.5m, bringing the company's total acquisition costs to over \$2.2bn. ▶



PETER IVANOV

KEYNOTE: ESPORTS

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BASTIAN GRIMM

KEYNOTE: SEO

THIS WEEK IN NUMBERS



\$25M



The amount paid to Elaine Wynn to end litigation which sees her become the largest single shareholder in Wynn Resorts, with a 9.26% stake in the company



The number of years since Codere Group was the first company to open an on-site gambling room in Spain



\$8.2m

A lucky player's jackpot win while playing NetEnt's Hall of Gods™ on mobile

The financials of the Tropicana transaction will see Gaming and Leisure Properties, Inc (GLPI) pay \$1.21bn, excluding taxes and expenses, for all of Tropicana's real estate. GLPI will then enter into a master lease with Eldorado, who will fund the remaining \$640m of the cash consideration, reaching the total of \$1.85bn.

GLPI is also expected to acquire Tropicana's real estate portfolio which includes eight casinos, excluding the MontBleu Casino and the Tropicana Aruba Resort and Casino, which are to be disposed of by Tropicana prior to closing.

Gary Carano, Chairman and CEO of Eldorado, commented: "With our proposed acquisition of Tropicana Entertainment, Eldorado Resorts is yet again pursuing a large transaction that is expected to be accretive, further increase the scale of our regional gaming platform and drive free cash flow growth."

The deal will allow Eldorado to enter into a triple net master lease for the acquired properties for an initial period of 15 years, with the option to renew it for up to 20 years.

Eldorado also disclosed that it will be paying for the \$640m transaction, as well as the repayment of Tropicana's outstanding debt, with cash generated from its own operations, pending asset sales (Presque Isle Downs & Casino \$178.9m, Lady Luck Casino \$50.6m both to Churchill Downs) and cash flow from Tropicana operations through closing.

Carano added: "The acquisition of seven Tropicana Entertainment properties will allow Eldorado to enter two new gaming jurisdictions and deliver additional financial and geographic diversity to our operating base. We have identified \$40 million of synergies that we expect to realize in the first year of our ownership."

The transaction is expected to be completed by the end of 2018. It has already been approved by the board of directors at Eldorado, GLPI and Tropicana. The deal must now wait for confirmation that it abides by the required regulatory approvals and 'other customary closing conditions'.

Eldorado also announced the definitive agreement to acquire the Grand Victoria Casino in Elgin, Illinois, owned and operated jointly by a Hyatt subsidiary and MGM Resorts International, for \$327.5m. The transaction will be funded by the same

means and will require the same approval to be finalised.

KEY POINTS

- Eldorado Resorts acquires Tropicana in a \$1.85bn cash transaction deal
- Six of the eight casino properties are now owned by Gaming and Leisure Properties
- Eldorado can now enter into a triple net master lease for the acquired properties for an initial period of 15 years

DRAFTKINGS SETTING SAIL FOR AUSTRALIA

Operator targeting down under

US daily fantasy sports company, DraftKings, has confirmed that it has been granted a government licence by Australia's Northern Territory Racing Commission.

Not standing still, DraftKings has already confirmed that it plans to offer DFS contests to Australian players from Q2 2018 onwards.

Speaking about the licence award, DraftKings CEO, Jason Robins, said: "Australia is an important market for DraftKings, as it combines devoted sports fans with sophisticated, tech-savvy consumers – exactly the kind of people who love competing on DraftKings."

Australia is the first country outside of North America and Europe where DraftKings has expanded operations, with DFS games available to consumers in seven other countries.

Robins added: "Within the last few years, Australia's burgeoning fantasy sports market has dramatically evolved, adding a variety of daily fantasy sports platforms, feeding the appetite of the many passionate sports fans who love getting closer to the teams, athletes and sports they love."

CHINA APPROVES GAMBLING EXPANSION IN HAINAN

The region is set to buck the trend

China's President, Xi Jinping has approved gambling expansion plans to offer horse racing and an extensive sports lottery in the region of Hainan. The move is part of a wider national push of 'comprehensive deepening of reform and opening up'.

During the 30th anniversary celebration of the founding of China's smallest and most southern province,

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THE WEEK IN QUOTES

“Last October we made very public our concerns regarding the industry’s funding of GambleAware. Six months later, it is only fair that, just as publicly, we acknowledge and thank all those in the industry who have helped us to achieve a record-breaking £9.4m in voluntary donations.”

GambleAware CEO, Marc Etches in a letter praising contributions made by UK gambling operators

“This will raise jackpots and provide even greater opportunities for play. It also paves the way for additional states to join and grow the regulated, legal online poker market.”

New Jersey Division of Gaming Enforcement Head, David Rebeck commenting on New Jersey, Nevada and Delaware’s Tri-State online poker network

“Legalised sports betting in the US is an exciting prospect for us, and we’re taking every step possible to ensure our product offering is fully compliant to hit the ground running when the marketplace eventually opens up.”

Keith O’Loughlin, Senior Vice President, Sportsbook and Platforms at SG Digital on Scientific Game’s sportsbook product review sessions with the New Jersey Division of Gaming Enforcement

President Xi Jinping suggested to ‘encourage the development of horse racing’, and to ‘explore the development of quiz-type sports lottery tickets and large-scale international events that open lottery tickets’. Although the plan did not include details as to how the new potential horse racing or extended sports lotteries would be offered, the development falls in line with the opinions held by many Chinese analysts who believe that Hainan will be the first province in the country to offer broader gambling services.

This is not the first time Hainan has been considered as a testing ground for China’s potential gambling industry. The State Council had previously approved plans in 2010 to see Hainan become a ‘testing ground for China’s lottery and gambling industry’. The report seemed to gather little momentum and withered away.

However, this current plan is being spearheaded by President Xi at a time where he has far more control over the country than his predecessor, Hu Jintao, and the State Council that had approved previous plans.

CAESARS ANNOUNCES OPERATIONAL EXPANSION

A number of new deals for the developer

Worldwide casino and hotel developer, Caesars Entertainment Corporation, has announced expansion plans in California and the Middle Eastern tourist hotspot of Dubai.

In the first of these agreements, Caesars has entered into a non-binding letter of intent with Dubai-based holdings firm Meraas, which owns the Bluewaters Island development, located in the United Arab Emirates. Under the terms of the agreement, two luxury hotels and a beach club currently operated by Meraas will become the Caesars Palace Bluewaters Dubai and Caesars Bluewaters Dubai. However, in what is a departure for Caesars from its normal business model, the two resorts will be non-gaming resorts, primarily due to gambling being banned throughout the predominantly Muslim UAE.

Speaking about the agreement, Caesars CEO and President Mark Frissora said: “This project represents Caesars’ ability to focus on our strengths

WINNERS

Pennsylvania casino revenue reaches a record \$300m in March

Australia PlayUp acquisition spree including Classicbet, TopBetta and SraftStars

Boracay Casino limbo- uncertainty over mixed reports concerning the future of Galaxy Entertainment Groups Philippines development

Drama at Wynn Resorts continues as Elaine Wynn looks to change the board that ousted her

Louisiana sports betting bill loses vote 6-3 in the State Finance Committee

LOSERS

in hospitality as well as reinforce our commitment and capacity to establish brands in new global markets." In the weeks other big agreement, Caesars concluded a casino development agreement with the Buena Vista Rancheria of Me-Wuk Indians of California.

The agreement, which was signed via the Buena Vista Gaming Authority, will see Caesars provide brand licensing and consulting services for the tribe's casino development near Sacramento, California. Construction of the 71,000 square-foot property began with a groundbreaking ceremony, with the final casino set to open in 2019. Upon completion of the development, the property will be rebranded to Harrah's Northern California Casino.

DANISH ONLINE GAMBLING MARKET UP 19% IN 2017

Strong growth in all verticals

Revenue generated from Denmark's online gambling market grew by 19% during 2017, according to figures released by the Danish Gambling Authority, Spillemyndigheden.

In its annual report for last year, the authority revealed online gambling market revenue increased from a 2016 high of \$149m to over \$299m during 2017.

Leading these figures was revenue from online casinos, which jumped 15.6% to \$299m, growth which was not equalled by their land based counterparts, who reported a revenue drop of 1.3%, falling to \$62m during 2017. Elsewhere, sports betting revenues grew by 7.4% from a 2016 high of \$36m to over \$38.7m during 2017. Overall revenues from all strands of the Danish market grew by 3.48% in 2017, rising to \$1.53bn during the year.

Director of the Danish Gaming Authority, Birgitte Sand, said: "In my view, the best way to maintain a well-functioning market in Denmark will be having everyone involved taking responsibility – and preferably beyond what we as a minimum have to do.

"It can only be for the better, if we take on a shared responsibility to ensure gamblers have access to fair gambling products, and collaborate on implementation and compliance".

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2018

IOVATION GAMBLING INDUSTRY REPORT

AN EXAMINATION OF THE MARKET DATA TRENDS & ANALYSIS
DRIVING THE ONLINE GAMBLING MARKET IN 2017 & BEYOND

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LA RISES

Louisiana gaming revenues benefitted from an easy comp and a calendar with one extra weekend date in March. The state's 6.85% growth was the best since March last year. Caesars' Harrah's fought

the effects of the Orleans Parish smoking ban last year, resulting in an easy comp this year. Factor out Harrah's and the New Orleans market would have been up 0.27%. Golden Nugget was up double digits for the sixth straight month.

SHREVEPORT/BOSSIER CITY	REVENUE (M)	YEAR-OVER-YEAR % CHANGE
Margaritaville/ Bossier City	\$16.465	+24.34
Sam's Town (BYD)	\$7.620	-0.17
Harrah's Louisiana Downs (CZR)	\$4.217	-1.35
Diamondjacks (Legends)	\$3.881	-1.80
El Dorado (ERI)	\$12.196	-3.83
Horseshoe (CZR)	\$17.272	-5.69
Boomtown (PNK)	\$5.651	-8.71
SP/BC Total	\$67.303	+1.53

Golden Nugget	\$30.937	+25.13
L'Auberge (PNK)	\$32.453	+21.44
Delta Downs (BYD)	\$18.788	+9.51
Isle of Capri (ERI)	\$10.862	-4.61
LC/Vinton Total	\$93.039	+16.32

NEW ORLEANS	REVENUE (M)	YEAR-OVER-YEAR % CHANGE
Harrah's (CZR)	\$26.829	+23.69
Fair Grounds (CHDN)	\$4.535	+3.70
Treasure Chest (BYD)	\$10.068	+0.66
Boomtown (PNK)	\$11.130	-1.40
NOLA Total	\$52.563	+11.00

BATON ROUGE/CENTRAL LA	REVENUE (M)	YEAR-OVER-YEAR % CHANGE
Evangeline Downs (BYD)	\$8.065	+11.10
L'Auberge Baton Rouge (PNK)	\$15.908	-5.75
Belle of BR (Tropicana)	\$5.322	-8.61
Hollywood BR (GLPI)	\$6.184	-14.48
BR/C.LA Total	\$35.478	-4.61
Elsewhere	-	-
Amelia Belle (BYD)	\$4.174	+7.32
Routes, Truck Stops, OTBS	\$58.607	+3.75
State total	\$311.164	+6.85

GUEST COLUMNIST



JANE JEE

CEO, KOMPLI-GLOBAL

With anti-money laundering compliance now firmly back on the gaming sector agenda, Jee argues that if gaming companies don't act now, they could be gambling their profits away

Through the course of the last 12 months, we have seen a number of large fines meted out by the UK Gambling Commission (UKGC) to gaming companies, as a result of serious failings in the way they handle and prevent money laundering, problem gambling and other financial crime.

For instance, the online casino operator, 888, was fined £7.8m by the UKGC for failing to stop problem gamblers using its services, with one case "so significant that it resulted in criminal activity".

In February 2018, William Hill was hit with a £6.2m penalty for allowing ten customers to deposit money sourced through criminal activity, in what was described as a "systemic senior management failure to prevent money laundering".

This is just a brief look at the number of fines handed out recently to gaming companies for non-compliance with AML legislation. Unless the industry acts now to turn things around, it is highly likely that we will see more revelations and greater penalties in the next few months and years.

A CLOSER LOOK AT THE PROBLEM

As with their counterparts in other industries, members of the gaming sector are required by law to ensure they comply with AML regulations, particularly those relating to "Know Your Customer" (KYC) checks. To meet these requirements, it is imperative that companies do all they can to verify customers' identities and determine whether they are suspected of having criminal links.

With this in mind, companies in the gaming sector and beyond all need to regularly search for "adverse intelligence" on both new and existing clients. They must trawl the so-called "Deep Web", as well as traditional and digital news media, international corruption watch lists and similar databases, to find any information that may tie the individual in question to money laundering, either directly or through links to criminal activity.

It is not enough, however, for companies just to make these checks. They also need to be able to demonstrate to regulators that they have taken these steps, providing regular reporting and detailed audit trails.

YESTERDAY'S SOLUTIONS TO TODAY'S PROBLEMS

In spite of the legal requirements, it is still the case that many companies in the gaming industry are not searching all of the information available to them to accurately verify their customers' identities. A large number are still using obsolete manual KYC processes that are slow and error-prone. The result of this is that companies may well miss vital details about their customers' criminal links, leaving them at risk of running afoul of regulators.

Gaming companies may perceive their obligation to perform the legally required due diligence on all the individuals and organisations with whom they do business to be daunting. However, technology has advanced significantly in recent years, and a new generation of "regulatory technology" (RegTech) is already available to support gaming companies in making effective and speedy KYC checks.

In particular, integrating advanced RegTech featuring artificial intelligence (AI) can play a key role in achieving this goal. The kompli-IQ platform from Kompli-Global, for instance, can perform in-depth searches for adverse information on behalf of human compliance managers quickly and efficiently.

The platform can automatically apply filters and rank sources according to reliability in order to minimise the risk of false positives. Working 24 hours a day, seven days a week, 365 days a year, the technology can also alert compliance managers as soon as adverse information is found, so they can respond quickly and effectively to protect customers and their own brand.

Doing the heavy lifting in searching for adverse information on customers, such technology can go a long way towards enabling regulatory compliance for gaming companies.

TAKING THE FIGHT TO MONEY LAUNDERERS

The innovations in RegTech that have taken place in recent years mean that there is no longer any reason for gaming companies not to do all they can to ensure optimum AML compliance.

To ensure they meet with the approval of regulators and supervisors, gaming companies must take a long, hard look at their compliance processes and consider new solutions to optimise their customer due diligence. Gaming has really benefited from the use of new technology in its customer-facing operations in recent years. Now they need to do the same in their compliance procedure guaranteeing operators protected margin, without sacrificing game quality and therefore the user experience.

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