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THIS WEEK

- **US SPORTS SPECIAL**
- extended coverage, comment and analysis on the gambling story of the century
- **FOBT ruling hits UK retail bookmakers hard**

GUEST COLUMNIST:

- **Richard Thorp**
Business Development Director, FSB

WEEK 20

FRIDAY 18 MAY 2018

NEW ERA DAWNS FOR SPORTS BETTING IN THE US



In a move that has been highly anticipated by the gaming industry for years, the US Supreme Court has cleared the way for states to legalise sports betting, striking down the 1992 federal law that has now been deemed unconstitutional.

The landmark 6-3 ruling has put an end to the Professional and Amateur Sports Protection Act, and will now open up opportunities for states to legalise sports betting, putting an end to Nevada's monopoly on the practice.

"The legalisation of sports gambling requires an important policy choice, but the choice is not ours to make. Congress can regulate sports gambling directly, but if it elects not to do so, each state is free to act on its own. Our job is to interpret the law Congress has enacted and decide whether it is consistent with the Constitution," Justice Samuel Alito wrote on behalf of the court. ▶



U.S. SUPREME COURT OVERTURNS PASPA
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THIS WEEK IN NUMBERS

\$1.5BN



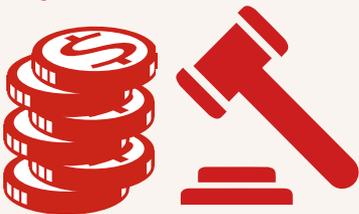
The increase in UK betting firms' share prices after the Supreme Court's decision

\$48M



The amount spent by Paddy Power Betfair on their US operations prior to the removal of PASPA

\$8.6M



The amount spent by the state of New Jersey on legal fees for their fight to legalise sports betting in the state

97%



The estimated percentage of wagers placed illegally in the US on the 2018 Super Bowl

New Jersey has been campaigning for a number of years for the ban to be withdrawn on the potential billion dollar industry, highlighting the level of illegal sports betting across the US as one of its principle arguments. Prior to the ruling, analysts estimated that if the Supreme Court were to strike down PASPA, 32 states would be likely to offer sports betting within five years. The American Gaming Association estimates that Americans illegally wager about \$150bn on sports each year.

Over the years of campaigning, a number of leading operators and sporting associations have joined New Jersey's fight for a regulated sports betting market. These various professional sports leagues have included the likes of the National Basketball Association, Major League Baseball and the PGA Tour.

New Jersey Gov. Phil Murphy celebrated the decision, which began with a lawsuit brought by former-Gov. Chris Christie.

"I am thrilled to see the Supreme Court finally side with New Jersey and strike down the arbitrary ban on sports betting imposed by Congress decades ago," Murphy said on Monday. "Today's ruling will finally allow for authorised facilities in New Jersey to take the same bets that are legal in other states in our country."

Gov. Chris Christie added: "A great day for the rights of states and their people to make their own decisions. New Jersey citizens wanted sports gambling and the Federal Government had no right to tell them no. The Supreme Court agrees with us today. I am proud to have fought for the rights of the people of NJ."

Another huge advocate of a legalised sports betting market, is the American Gaming Association, who commented after the news broke, saying: "The decision is a victory for the millions of Americans who seek to bet on sports in a safe and regulated manner. According to a Washington Post survey, a solid 55% of Americans believe it's time to end the federal ban on sports betting.

"The ruling makes it possible for states and sovereign tribal nations to give Americans what they want: an open, transparent, and responsible market for sports betting. Through smart, efficient regulation this new market will protect consumers, preserve the integrity of the games we love, empower law enforcement to fight illegal gambling, and generate new revenue for states, sporting bodies, broadcasters and many others.

"The AGA stands ready to work with all stakeholders – states, tribes, sports leagues, and law enforcement – to create a new regulatory environment that capitalises on this opportunity to engage fans and boost local economies."

"THERE IS NO OTHER WORD FOR THIS EVENT THAN MEGA. IT'S A TURNING POINT IN GLOBAL GAMBLING HISTORY. OBVIOUSLY IT WILL TAKE TIME FOR LEGALISED SPORTS BETTING ACROSS THE US. THERE ARE LAWS TO BE WRITTEN, VESTED INTERESTS TO BE OVERCOME AND THE USUAL ANTI-GAMBLING NONSENSE"

This journey has been a long and tiresome one for sports betting stalwarts, which began when New Jersey voters approved a bill to legalise sports betting to aid the faltering casino industry. However, this was challenged immediately when a number of professional sports leagues and the NCAA highlighting PASPA as a conflict of interests.

After the news broke earlier this week, the NFL, NBA and the MLB all offered cautious reaction to the news, saying they would take steps to protect the integrity of the games and called for regulatory framework.

Without a doubt, this ruling is perhaps one of the biggest events in the gambling industry in the past several decades, and the future is unclear for how states will act and what legislative frameworks will be put in place. Gambling analyst, Steve Donoughue states: "There is no other word for this event than mega. It's a turning point in global gambling history. Obviously it will take time for us to have legalised sports betting across the US. There are laws to be written, vested interests to be overcome and the usual ▶



30 MILLION

The estimated number of US fantasy sports betting players



The estimated worth of the US sports betting industry according to analysts, instead of the \$150bn that is widely mentioned

anti-gambling nonsense. But who would have thought that within my lifetime you could go to Disneyworld and have a punt on the 2.30 at Kempton Park?"

So far 24 states with a combined population of 186 million have expressed an interest, with many analysts predicting New Jersey will be the first to be up and running. However, it's questionable as to how other states will follow, GBGC Chief Executive, Warwick Bartlett suspects most will adopt a 'wait and see approach'. "They will want to see if sports betting takes money from the lotteries, they will listen to fears of competition from big casino operators. They will want to see how much tax revenue sports betting raises and the effect on addictive play. The big decision for them is their state lotteries which in most states fund education. Will they empower the lotteries to run sports betting, open the market up, or simply allow those already licensed?"

A number of operators from around the world have been gearing up to seize this once in a lifetime expansion opportunity in recent months.

US-based companies such as Scientific Games, MGM, Caesars Entertainment, and Unikrn have already responded to the news with press releases championing their preparations for this day.

Commenting on the Supreme Court's decision and its impact Matt Davey, Group Chief Executive of SG Digital, stated: "The market growth expected as a result of this decision will have lasting impact on the US gaming and lottery industry, and on the revenues generated for the states that participate.

"While the ruling certainly benefits operators and suppliers, it's also a fantastic development for bettors and players. Soon, they'll have cohesive, legal, and regulated solutions that allow them to bet in a safe and protected betting environment."

MGM Resorts International also wasted no time ensuring their investors that they were well prepared to start working with regulators to open up the sports betting market. Additionally, Caesars Entertainment President and CEO, Mark Frissora relayed a similar message, stating: "The Supreme Court's landmark PASPA ruling creates a golden opportunity to end illegal sports wagering once and for all by creating a well-regulated ▶

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QUOTES OF THE WEEK

"By letting states regulate and offer sports betting, the US Government is letting betting experiences become better-regulated and undermining illicit, offshore and black market operations that endanger their users. In eSports, legal betting will undermine the betting pools that power skin-betting, illicit betting activity that reprehensibly sucks in minors and at-risk bettors with no regulation or know-your-customer (KYC) practices"

Unikrn CEO, Rahul Sood, in a blog post discussing what PASPA meant for his eSport wagering company

"Everyone who profits from sports betting bears responsibility for gambling problems. The only ethical and economical way to maximise benefits from sports betting is to minimise problem gambling harm. Therefore, any governmental body and sports league that receives a direct percentage or portion of sports betting revenue must also dedicate funds to prevent and treat gambling problems"

Keith Whyte, National Council on Problem Gambling (NCPG) Executive Director, on the outcome of the Supreme Court's ruling

alternative that sports fans can trust. We expect to be able to provide safe, exciting sports wagering experiences to consumers across the country, as we do today in Nevada."

And it's not only the US-based companies who have been readying themselves for the post-PASPA environment. Max Meltzer, Chief Commercial Officer at Kambi Group explained to *GI* that the company has been developing its business in expectation of a legal US sports betting market, adding: "We are well progressed with plans to launch in the US on the first day it is legally permitted to do so and are confident our sophisticated technology will empower US operators to deliver unique and thrilling sports betting experiences to their players, both via online and retail channels."

"The US market will likely become very competitive in a short space of time and therefore only those that have the ability to innovate and differentiate will succeed. This capability will require operators to take a best of breed approach, rather than a restrictive one-size-fits-all solution, ensuring they have the flexibility and agility to out-manoeuvre competitors and assume market-leading positions."

"In terms of regulation, it now falls upon each individual state to develop a framework which will support our industry's efforts to provide an exciting and safe environment for players, protect the integrity of sports, and generate revenues for the state. And although we expect each state to develop their own unique framework, Kambi's experience as the leading provider to regulated markets proves we possess the scalability US operators will require."

Additionally, Warwick Bartlett expects "William Hill, GVC, 888 and in particular Stars Group to be at the forefront of JV's and licensing. But much is still to be discussed, tax rate, licensing costs and regulation will determine the size and profitability of the market. Perhaps the most interesting aspect is whether big casino will buy the likes of 888 whose market cap while significant to us is a drop in the bucket to them." ◀

UK CRACKDOWN ON FOBT COULD DAMAGE RETAIL



The UK Government has introduced rules that will reduce the maximum stake on fixed-odds betting terminals (FOBTs) from £100 to £2.

The move follows repeated calls from campaigners to protect vulnerable gamblers from the terminals that have been described as highly addictive and dubbed the 'crack cocaine' of gambling.

High street betting shops opposed such significant reductions in the maximum stake, claiming that thousands of jobs would be lost. William Hill said that half of its retail revenues came from FOBTs and that 900 of its shops could make losses and face closure as a result of the rule change.

However, following the announcement, other UK bookmakers have accepted the move and said they were pleased that the uncertainty was finally over.

GVC Holdings, which owns Ladbrokes, said it expects profits to be cut by about £160m (US\$215m) in the first year that the new limit is in force.

"Although we are ultimately disappointed with the outcome of the Triennial Review, it is a decision we accept," said GVC Holdings CEO Kenneth Alexander.

"The uncertainty has weighed heavy on the industry and the many thousands of people who work within it. Our focus now is to work with Government to build a constructive relationship that will ensure a positive future for the sector and the many millions of customers who enjoy our products responsibly. The offer for Ladbrokes Coral Group was structured to address the potential of a £2 max stake outcome and as such the strategic rationale for the acquisition remains unchanged."

Another major UK high street brand, Paddy Power Betfair, added: "We've consistently called for a significant stake cut which would take this issue off the table, so we're pleased that the Secretary of State and Government has acted so decisively."

"Our industry provides a fun, exciting experience for the vast majority of customers and it makes sense to try and get back to that by removing what had become a toxic issue. Today's move will have a short-term impact on our business, but we think it's a really important step towards building a sustainable industry."

The impact of the announcement was no doubt softened by the news earlier this week regarding US online sports betting, with big-name betting brands already making moves to offset any potential losses with significant gains in the States.

TIMETABLE FOR CHANGE

Helen Walton, Founder at Gamevy explores whether we should all be readying ourselves for the US market? And whether or not those who 'wait and see' risk missing the greatest opportunity in gaming history?



A sports betting market worth up to \$150bn? With the possibility to go even bigger? No wonder pundits are excitedly jumping up and down, while the share price of big sports operators have also leaped. New Jersey may be first in the queue to pass legislation allowing sportsbetting (and allowing the state to tax it), but there are plenty of others following close upon its heels.

DEEP POCKETS

The first brake on the excitement is that only those companies with deep pockets are likely to be able to take on the challenges. As states find their way, some are signalling their intention to demand hefty taxes, while sports leagues are already clamouring for a slice of the action. One off costs and application overheads are likely to be fairly burdensome. With semi-incumbents such as DraftKings already having high brand recognition, marketing costs are unlikely to be low. And yet, as more heavy-weights enter, those costs will only rise... For small and medium sized outfits, deciding on whether to try and break out of the pack is an outside chance in itself.

TIMINGS AND TAPE

There are lots of bullish remarks about

the first bets taken in weeks within New Jersey – yet online will almost certainly be slower – and other states have often proved to be a lot slower in actual fact than well-publicised but optimistic ‘live’ dates when it comes to online lottery betting, for example. Moreover, the rejection of PASPA was clearly based on a lack of federal legislation – there is plenty of appetite amongst some to repair that omission – something that could end the industry before it has a chance to get established.

TRUE SIZE

The \$150bn figure sounds big and sexy – but it is hard to be sure of its accuracy. After all, its source, the American Gaming Association, has something of a vested interest in persuading people that such a large sum would be better channelled towards legal and taxable businesses – such as its members. The economist Zagorsky suggests that \$67bn is more likely, and even that only if it manages to become as mature, established and accepted as it is in the UK – something

“THERE ARE LOTS OF BULLISH REMARKS ABOUT THE FIRST BETS TAKEN IN WEEKS WITHIN NEW JERSEY – YET ONLINE WILL ALMOST CERTAINLY BE SLOWER – AND OTHER STATES HAVE OFTEN PROVED TO BE A LOT SLOWER IN ACTUAL FACT THAN WELL-PUBLICISED BUT OPTIMISTIC ‘LIVE’ DATES WHEN IT COMES TO ONLINE LOTTERY BETTING, FOR EXAMPLE”

which is far from guaranteed. Nor is it clear that the definition of ‘sports betting’ in the US will stretch to include all the things we use it to mean in Britain – such as betting on real events like politics, royal weddings and lotteries.

WHAT TO DO

So am I suggesting, we should just wait and see? Ignore it as a bubble? Not a chance. But here’s the advice I would give to those who are not massive operators who already own operations

in the US and have the kind of funding to make their bet and take the hit...

Start somewhere – if you’re going to go anywhere you should probably start with New Jersey. And given they are already issuing supplier licences for online casino gaming, then there’s nothing to stop you beginning there. If you really can’t take on the various challenges required by the DGE, then perhaps you should sit this one out.

Partner up – why not look to host your equipment with someone who is already set up in return for exclusivity or a preferred partner status? Use the integrations and pathways you already have to build relationships and get advice – if an operator likes what you have, they are often prepared to help you with some of the obstacles to ensure variety and new content for their customers. For smaller companies, local staff will be too much of a stretch, so you need to have close partners whose people you can rely on for a whole bunch of issues.

Prioritise – a saleswoman I know told me bluntly: “Honey, revenue in New Jersey is not that great yet. Why don’t you do Romania or Spain first? They’re worth more and they’re a hell of a lot less work.”

It’s good advice and honestly given. Even if we have our own reasons for ignoring it, that doesn’t mean I don’t feel the pain of trade-offs between markets – those with big potential but high barriers to entry, and those with greater certainty of success, but more limited potential. And yet, no one ever founded a start-up who wasn’t prepared to take a gamble, so I guess it’s not giving away too many secrets to say you should look out for Gamevy products across the pond this year.

NEW JERSEY vs PASPA TIMELINE

OCTOBER 1992



PASPA or the Bradley Act is introduced, effectively banning sports betting in the US with a few exceptions

MARCH 2011



New Jersey State Senators, Raymond Lesniak and Stephen M. Sweeney have their lawsuit to challenge US federal law surrounding sports betting rejected by the United States District Court

2012



The five US sports leagues win a decision, after several challenges, that backs the upholding of PASPA which the State of New Jersey attempted to repeal in 2012. This led to a wider debate over the ability of individual states to determine their own laws surrounding sports betting

NOVEMBER 2011



New Jersey voters support the states' suggested constitutional amendment that would permit sports betting. Despite being a non-binding referendum the ballot was supported by a wide majority

AUGUST 2016



President Trump expresses support for legalised sports betting during his presidential campaign. He is joined by NBA Commissioner David Stern who reverses his previous testimonies in favour of supporting the repeal of PASPA

OCTOBER 2016



New Jersey are dealt another blow in efforts to revoke PASPA, as acting Solicitor General Jeffrey B. Wall says they don't have a case to plea

JUNE 2017



The New Jersey State legislature rolls out the Sports Wagering Act which permits venues such as racetracks and casinos within the state to participate in sports betting activities, similar to what was permitted in Nevada. This sees the NCAA, NBA, NHL, MLB and NFL all sue New Jersey

MAY 2017



Governor Chris Christie of New Jersey finally succeeds in getting a court hearing, and so begins two cases of Christie v NCAA and the NJ thoroughbred v NCAA

DECEMBER 2017



New Jersey Assembly members introduce another bill to allow sports betting that would be regulated by the NJ Division of Gaming Enforcement and includes a sports betting integrity fee

APRIL 2018

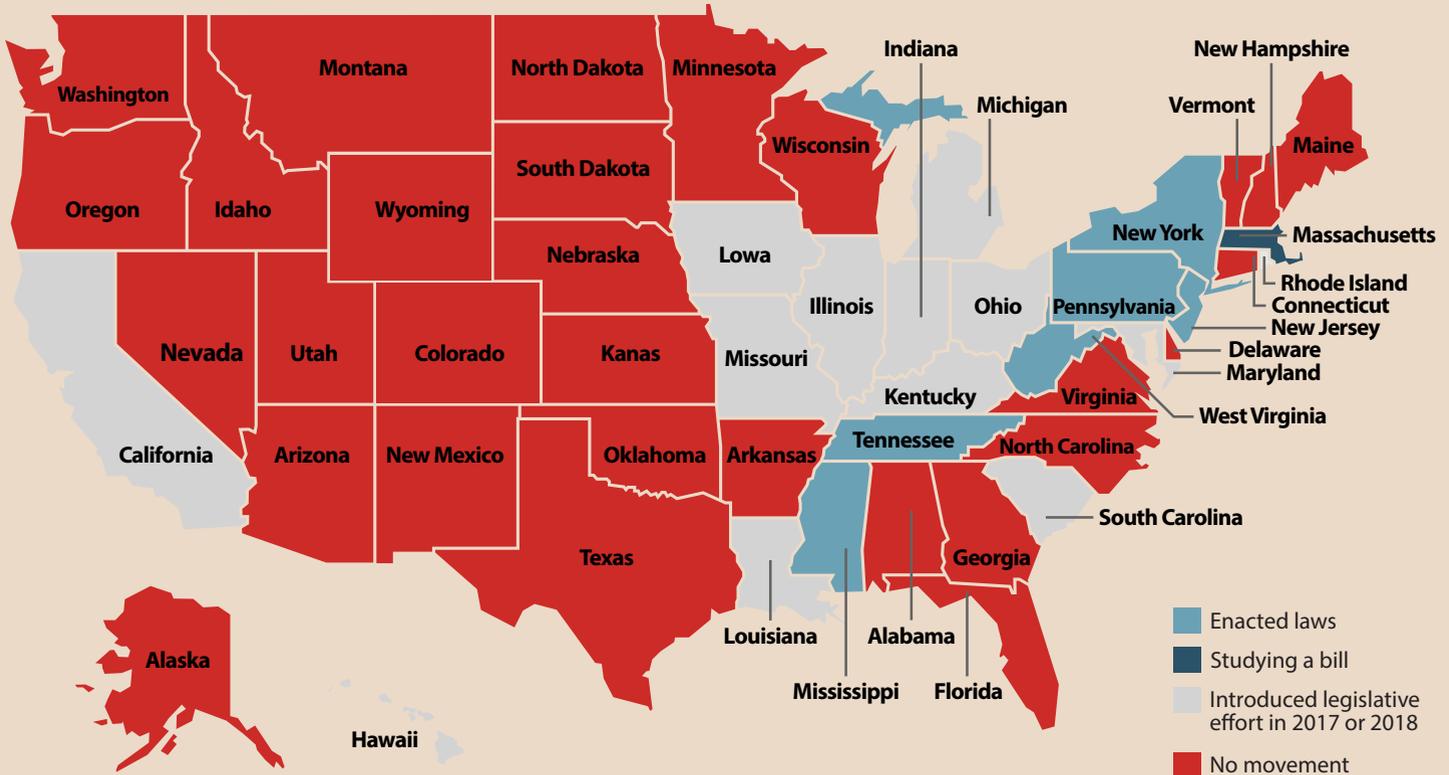


The US Supreme Court opens up to discussions and arguments for the case of Murphy v NCAA the case that would finally bring down PASPA. At the same time Democratic Congressman Frank Pallone proposes the introduction of the Gaming Accountability and Modernisation Enhancement Act or GAME Act which again aimed at opening up sports betting in the state

The US Supreme Court rules that PASPA has been in violation of the Tenth Amendment as it negates individual states' ability to regulate sports betting on an individual basis. It marks the end of the Murphy v. NCAA case that began in December 2017

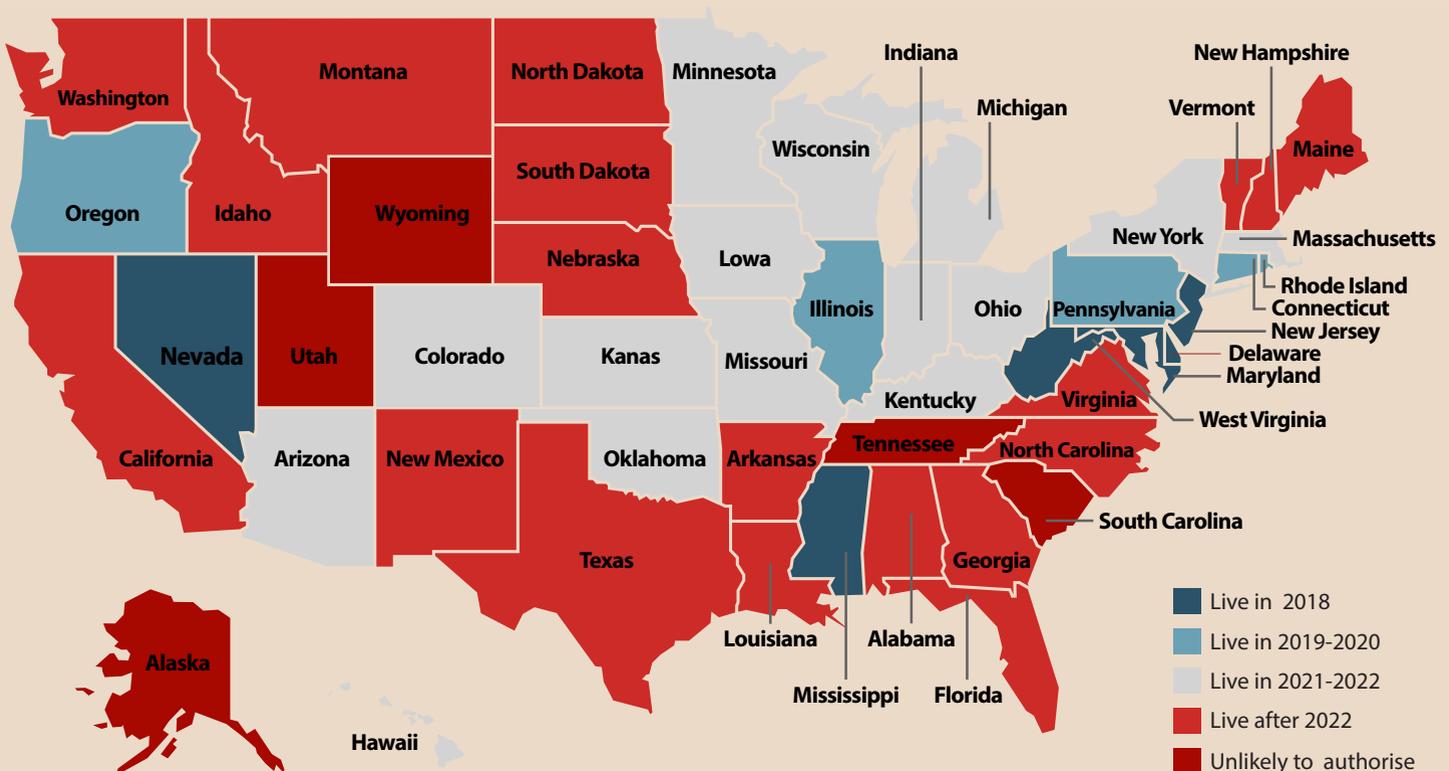
MAY 2018

CURRENT SPORTS BETTING BILLS IN THE US



Source: *legalsportsreport*

PREDICTED FUTURE US SPORTS BETTING REGULATED MARKETS



Source: *Eilers & Krejciik Graming LLC*

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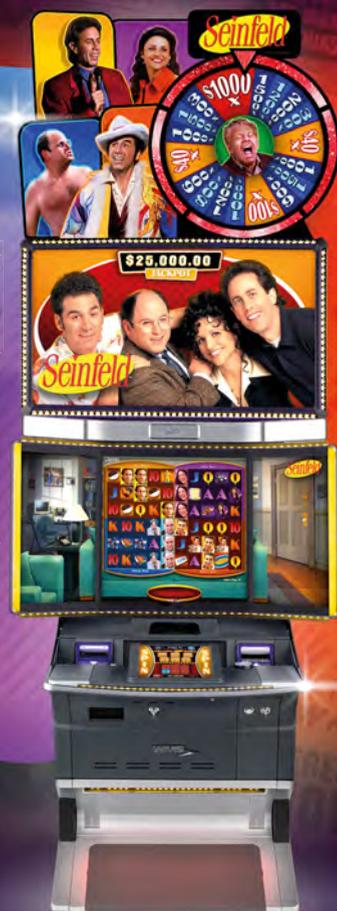
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US REGIONAL REVENUES ON THE UP

April offered positive results for US gaming revenues in Arkansas, Atlantic City and West Virginia.

Atlantic City rose for the first time this year after being down a combined 5.86% in the first three months of 2018.

Lucky play benefitted some AC casinos while Golden Nugget, which continues to lead the market in terms of online gaming growth, grew double digits for the second consecutive month.

Penn National's Hollywood Casino in Charles Town, West Virginia fell just 0.56% in the fourth month of apples-to-apples comparison of MGM National Harbor's opening outside of Washington D.C.

US STOCK UPDATE

The following stocks hit 52-week highs in the US in the wake of the US Supreme Court ruling that repeals the federal ban on sports betting:

Company	Price
Churchill Downs	\$306.40
Scientific Games	\$60.25
Penn National	\$34.31
Eldorado	\$43.40
Pinnacle	\$33.83
Tropicana	\$71.00
Dover Downs	\$1.75

ARKANSAS

PROPERTY	REVENUE (\$M)	YEAR-OVER-YEAR CHANGE (%)
Oaklawn	\$12.045	+4.72
Southland Park (Del North)	\$18.729	+1.81
State total	\$30.774	+2.93

ATLANTIC CITY

PROPERTY	REVENUE (\$M)	YEAR-OVER-YEAR CHANGE (%)
Resorts	\$17.215	+23.33
Golden Nugget	\$20.167	+11.60
Harrah's (CZR)	\$29.095	+7.81
Caesars (CZR)	\$28.999	+3.95
Tropicana (TPCA)	\$27.598	-2.61
Borgata (MGM)	\$53.118	-9.12
Bally's AC (CZR)	\$15.224	-11.31
AC Casino total	\$191.417	+0.29

WEST VIRGINIA

PROPERTY	REVENUE (\$M)	YEAR-OVER-YEAR CHANGE (%)
Greenbrier	\$0.730	+48.69
Wheeling (Del North)	\$9.808	+6.26
Mardi Gras	\$5.077	+2.19
Charles Town (PENN)	\$28.422	-0.56
Mountaineer (ERI)	\$10.377	-5.47
State total	\$54.415	+0.31

GUEST COLUMNIST



RICHARD THORP
BUSINESS DEVELOPMENT
DIRECTOR, FSB

Thorp examines how US operators can best negotiate the attentions of regulators and the incoming invasion of British bookies

Watershed moments don't come any grander than the recent repeal of PASPA by the Supreme Court in its landmark case against the state of New Jersey. The 6-3 majority ruling was as warmly welcomed as it was broadly expected. However, this didn't stop the money markets reacting positively across the board, with shares in licensed US operators and suppliers rising alongside certain London-listed online gaming operators (e.g. Paddy Power Betfair and William Hill) who already hold a stateside presence.

Perhaps the biggest beneficiaries of this spike, though, were America's prominent land-based casinos, which are seen as the first port of call from which lawmakers will endorse regulated sports-betting growth. Las Vegas leaders like Caesars Entertainment, MGM Resorts and Boyd Gaming all enjoyed leaps of up to 5.5% in the immediate wake of a reversal, with Caesars commenting that this was "a golden opportunity to end illegal sports wagering once and for all by creating a well-regulated alternative that sports fans can trust". For although this New Jersey forerunner doesn't legalise gambling across America, some 20 states are already queuing up in expectation of a domino effect - regardless of the respective state-by-state regulations.

However, this innate US operator power is nothing without the right controls. Of course, they already have a sanctioned stage, especially when it comes to exporting a sophisticated casino clientele over to sports betting. Yet no matter a casino brand's standing, if they don't have the correct platform driving this migration, they won't be able to take advantage in what is set to be a hotly-contested marketplace. Above all, though, they can't waste time stumbling around in the wilderness, trying to find their own solution, while others take the lead.

Enter FSB's state-of-the-art sportsbook platform, which has already demonstrated its proficiency in this domain, having already rolled out a first EPOS system for Manila's flagship Okada Casino Resort, with self-service betting terminals and hand-held devices soon to be added. These land-based solutions now complement our existing online ones (with the likes of Genting Group, Dafabet and 188Bet amongst our 30-plus operators) where FSB's cutting-edge technology can be custom-designed for any business requirement, with a modular design across platform, casino and sportsbook - including the option of utilising Paddy Power Betfair's trading team and data feeds. We have also

teamed up with Sport AD to power FastPick.com, an easy-access take on Daily Fantasy Sports, across New Jersey. FastPick is a bespoke product for Resorts Digital Gaming, for whom FSB created the underlying sportsbook structure and platform, making them the first US casino to officially offer a fantasy sports-style game.

Ultimately, scaling the user experience to meet the rising demands of mobile and live betting, not to mention aggregating the industry's finest data-feeds, will be central to any supplier remaining positively demarcated from the crowd. US operators hold the front-end and distribution model via the prime casino, racetrack and poker room sites. It's now up to suppliers to bring the most adaptable back-end to propel that front-end.

Indeed, multiple white-label skins will be up for grabs if that elasticity of technology and smart APIs (i.e. customising the platform organically to the brand, not merely bolting on a cover) is on hand from the platform. Unlike the identikit solutions that increasingly seem to dominate the landscape, FSB can now work flexibly with operators state-by-state to deliver unique front-ends which speak to representing the brand properly, coupled to a tailored user interface.

A one-front-fits-all strategy simply won't work in our progressive modern world. We've already witnessed this as we've serviced and catered for wildly varying operators tastes across Europe and Africa. And while America will fly the flag of one cultural banner, state-by-state nuances and demands will be as varied as the timescale of their corresponding regulatory rollouts. Our platform was developed to enable rapid deployment into multiple territories and the US will inevitably follow this model, with different state-by-state compliance requirements. A nimble platform that can offer operators the ability to function across multiple states has got to be at the forefront of any decision-making process on the correct sportsbook supplier.

Post-PASPA, the overwhelming remit for any supplier is not only to provide an engaging, delineated betting product, but also to shield operators and their brands from any negative attention from certain state authorities, who will be defining the rules as they go along to some significant extent. Foremost in FSB's thinking is ensuring that our next-generation infrastructure and software fully comply with all US platform stipulations. Which is why FSB's underpinning decision to only ever operate in regulated markets, leaving the black markets to our competitors, sets us apart when it comes to avoiding controversy.

So, while America has now become betting's land of opportunity, it's never been more important to pick your supplier partners wisely for this defining dance. Otherwise you may get asked to leave the ball early.

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