



# WEEK 21

## FRIDAY 25 MAY 2018

### THE RACE FOR US SPORTS BETTING: ONE WEEK ON

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## THIS WEEK

- **FOBT's: More industry reaction**
- **NetEnt appoints new CEO**
- **Cyprus cracks down on illegal gambling**

### GUEST COLUMNIST:

- **James Bennett, Director Square In the Air**



The champagne has gone flat, the streamers have gone out with the rubbish and everyone is now nursing a headache. Dramatic licence aside, that is the reality which now faces industry stakeholders in the US following the Supreme Court's decision last week to allow New Jersey to implement sports betting. A move which fired the starting gun on the biggest enterprise race in the US gambling sector's history.

Looking at the US industry through the guise of an impartial observer, you would be forgiven for thinking that no one expected the Supreme Court to make that sort of decision, certainly from the lack of action on the part of US states. From an industry standpoint, we may well be looking at an invasion of the US market by UK and European gambling firms that parallels the UK music invasion of bands like the Beatles and Rolling Stones into the US in the 1960s.

This week the most active of these potential entrants to the US market was Paddy Power Betfair, who put pen to paper on a multi-million dollar acquisition of US daily fantasy sports operator FanDuel, giving it a crucial entry into the US market at this critical stage in the development of sports betting.

Moving into the wider industry, lots of operators experienced double digit gains in their share price following the ruling. The most vocal of these was Scientific Games ▶



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# THIS WEEK IN NUMBERS



## \$100M

The amount pledged by Epic Games for Fortnite Battle Royale 2018/19 eSports prize pools, more than every other major eSports game in 2017 combined



The percentage of Wynn Resorts Board members that have departed since the beginning of 2018



## 4-6

The odds Coral offered on the colour of the Queen's hat being green for Prince Harry's wedding, which was ultimately proved right



## 12%

Drop in gross operating profits reported by Atlantic City's casinos during Q1 2018

## 75%

The bets placed through smartphones in Kenya according to GeoPoll



whose incoming CEO Barry Cottle, said that the ruling would bring about "the greatest wave of gaming expansion in the United States in the past 20 years. This is certainly an exciting development for our industry, our customers and our company"

Of the big moves in US operators, Churchill Downs Incorporated (CDI) led the way, announcing its entry into the online sports betting sector by inking two new partnership agreements with SBTech and the Golden Nugget Atlantic City. Casino company Rush Street Interactive were also busy signing contracts, this time with sports betting supplier Kambi to provide the technology required to implement sports betting in their Pennsylvania and New Jersey casinos.

Moving into the states themselves, New Jersey, buoyed by its victory, has elected to set a 7 June date for a comprehensive sports betting bill to be signed into law. One of its biggest operators, William Hill US – attempting to follow up on its 'roll out within two weeks' promise – has even pre-empted this by setting a tentative 28 May launch date for sports betting at Monmouth Park, a move which is likely to be followed up by others in the state.

Fellow state Delaware is among the front runners to follow New Jersey's lead and will make what it calls 'full-scale sports betting' available to its residents by June. This move comes after the Delaware Department of Finance in consultation with the Delaware Attorney General's office has confirmed that there are no legal obstacles preventing the introduction of an earlier 2009 law which permitted sports betting in the state.

In a statement outlining the state's sports betting roll out, Delaware's Finance Secretary, Rick Geisenberger, said: "The Delaware Lottery has had plans in place for months, and we will begin training lottery and casino staff early next week. We will continue to provide public updates as we prepare to launch full-scale sports gaming in Delaware next month."

Seeking to offer sports betting in time for the next NFL season, regulators from the Mississippi Gaming Commission have issued a number of draft regulations which would allow its 28 casinos to implement sports betting in the state. Its 21-page document limits sports betting to existing licence holders on the condition that they first seek the permission of the MGC to do so.

The Rhode Island lottery has seemingly found its sports betting partner in gaming heavyweight IGT, with the latter being the only company to submit a proposal to tender for the contract to run sports betting in the state, much to the regulator's disappointment.

Rhode Island lottery spokesman Paul Grimaldi gave voice to this frustration in an email saying: "We would have preferred more bidders. 18 companies expressed an interest in the RFP. We're not going to speculate as to why more bids weren't submitted."

Pennsylvania and West Virginia, so active in getting sports betting bills through their respective senates, now need to deal with the reality of setting up regulations to govern these new markets, leaving their lawmakers and regulators with a lot to do. The same is true in Connecticut and New York where officials will undoubtedly be burning through a lot of coffee in an attempt to get their states ready for sports betting.

The various leagues and associations which are all affected by the Supreme Court ruling haven't sat back and nursed their wounds either, with NFL commissioner Roger Goodell setting out its position on any sports betting roll out.

Among the NFL's provisos are substantial consumer protections, the opportunity to protect content and intellectual property and a requirement that fans have access to official reliable league data. The last point will undoubtedly form a key part of the debate over the next few months.

That great political football, the integrity fee, also reared its head this week again following revelations that the MLB and NBA are seeking to include proposals that would see integrity fees paid to individual colleges as a way of staving off corruption at grassroots levels.

Undoubtedly, care must be taken with the approach to sports betting adoption across the US, as any speedy legalisation carries with it inherent danger of creating a market which is unsustainable in the long term. Whatever lessons European operators currently moving into the US can teach their American cousins will prove to be invaluable in this regard.

One thing is for sure in this debate, the legal and corporate ramifications of the Supreme Court decision regarding sports betting will continue to be felt for years, indeed decades, to come but in the race to be ready to legalise the old adage 'its a marathon, not a sprint' becomes an ever more apt one for regulators, lawmakers and industry stakeholders dealing with this change.



## THE WEEK IN QUOTES

*“California voters have, on numerous occasions, confirmed the exclusive right of California tribal governments to operate casino-style games. Legalisation of sports betting should not become a backdoor way to infringe upon exclusivity.”*

**Steve Stallings, Chairman of the California Nations Indian Gaming Association, formally requesting a role for tribes in all negotiations over the future of sports betting in the US**

*“We have spent considerable time planning for the potential of broadly legalised Sports gambling and are prepared to address these changes in a thoughtful and comprehensive way, including substantial education and compliance trainings for our clubs, players, employees and partners. These efforts include supporting common sense legislation that protects our players, coaches and fans and maintains public confidence in our games.”*

**NFL Commissioner, Roger Goddell, speaking about the leagues approach to dealing with advent of sports betting in the US**

*“The protection of players is at the heart of the MGA’s regulatory agenda, and this project further underlines our resolve to ensure that players have the necessary tools to engage in gaming services responsibly.”*

**Heathcliff Farrugia, CEO at the MGA, speaking about the launch of a unified self-exclusion system for its remote gaming licensees**

*“MRG is a digital, high growth company with a significantly broader operation with more brands and larger geographical presence than a year ago. We invest in new innovative digital areas within online gaming and eSports. MRG is reflecting our vision ‘Shape the future of the online gaming industry’.”*

**Per Norman, CEO of Mr Green, commenting on the company’s decision to rebrand as MRG**

*“A strike is a last resort. We want to come to an agreement, but the union and workers are preparing for a citywide strike if contracts are not settled by 1 June. We support innovations that improve jobs, but we oppose automation when it only destroys jobs. Our industry must innovate without losing the human touch. That’s why employers should work with us to stay strong, fair, and competitive.”*

**Geoconda Argüello-Kline, Secretary-Treasurer for the UNITE HERE’s Culinary Union, who’s members voted 99% in favour of a strike which will cripple Las Vegas and Reno casinos**

outcome of the Triennial Review, it is a decision we accept. 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.”

Sentiments which were echoed by Philip Bowcock, CEO of William Hill who said: “The Government has handed us a tough challenge today and it will take some time for the full impact to be understood, for our business, the wider high street and key partners like horseracing. We will continue to evolve our Retail business in order to adapt to this change and we will support our colleagues as best we can. Despite the challenges presented by this decision, our teams will compete hard and offer great service to William Hill customers.”

One of the biggest surprises of the last 12 months has been Paddy Power Betfair’s backing of calls to restrict stakes, despite operating a significant number of FOBT’s themselves. A spokesperson welcomed the government’s decision: “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.”

It was instead left to the Association of British Bookmakers, which represents 80% of UK betting operators, including the aforementioned big three, to give dire prognostications of doom. In a statement the ABB said: “This is a decision that will have far-reaching implications for betting shops on the high-street.

“We expect over 4,000 shops to close and 21,000 colleagues to lose their jobs. The independent expert advice warned that this would simply shift people, the majority of whom gamble responsibly, to alternative forms of gambling where there is less chance of human interaction and its impact on problem gambling levels is far from certain.

“As the industry adjusts its business model, those shops that do survive will continue to provide a safe place to gamble with staff interaction and industry leading responsible gambling measures and support British sport.”

## NETENT’S ACTING CEO HILLMAN AWARDED A PERMANENT POSITION IN THE TOP JOB TO LEAD ‘NEXT GROWTH PHASE’

Following the departure of former CEO Per Eriksson back in March, Swedish-based global gaming provider NetEnt has announced the appointment of Therese Hillman as the group’s new CEO.

She previously served as acting CEO during the interim period, and she previously served as the company’s CFO from January 2017, a position which she held up until her appointment to the role of acting CEO. NetEnt explained the removal of Eriksson was agreed by the board or directors, who said it was “to increase focus on long-term growth for the company”.

Hillman has previous experience of the top job, having served as CEO prior to her appointment at Gymgrossisten, a subsidiary of Qliro Group, as well as having been a member of the Unibet Board. Prior to joining NetEnt, Hillman worked for ten years in the e-commerce industry where she held a number of executive level roles.

Commenting on the announcement NetEnt’s Chairman of the Board, Fredrik Erbing, said: “We are pleased to appoint Therese Hillman as new Group CEO. Therese has a clear business focus and is an appreciated leader with great energy.

“NetEnt is pioneering the online gaming industry and is taking the next step to be at the forefront of business focus and innovation. With Therese’s abilities, we get the right person to lead the company in the next growth phase.”

Discussing her new role at NetEnt, Hillman added: “It is with great enthusiasm, but also humility, that I am taking on the role as Group CEO of NetEnt. I look forward to drive the development of the industry together with our customers and employees and to deliver the best player experiences. This is how we can continue to create value for our customers, shareholders, players and employees.”

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### THIS WEEK'S WINNERS AND LOSERS

#### WINNERS

**Rank Group** - confirmed that it has begun its plans to acquire Spanish online bingo operator YoBingo.es for an initial cash consideration of €21m

**Bet365** - rejected reports that the company is leaving Gibraltar despite confirming that it is planning to open a new commercial site in Malta

**Gordon Vayo** - AB confirmed that the Swedish Economic Crime Authority has initiated an investigation for insider crime as a result of share trading by Cherry's CEO, Anders Holmgren

**Las Vegas** - casinos will be sweating after 99% of 25,000 Union members vote in favour of authorizing a strike as a further 50,000 union worker contracts expire on 1 June 2018 at 34 casino resorts

#### LOSERS

### CYPRUS CRACKS DOWN ON CASINO MONEY LAUNDERING

Lawmakers from Turkey have launched an investigation into 13 casinos based in the Turkish Republic of Northern Cyprus as a part of a wider investigation into alleged money laundering and illegal betting.

Prosecutors in the southern city of Gaziantep have ordered the confiscation of over \$100m in funds linked to suspected money launderers following an earlier investigation by the Board of Investigation on Financial Crimes which revealed that a number of casinos were involved in the transfer of large amounts of foreign currency.

Digging deeper, the board found that the transactions were made through the accounts of seven casino managers and also through staff accounts at 20 companies owned by the casinos themselves.

Early reports say that as much as \$5bn in transfers abroad are being investigated by authorities, with suspects allegedly holding multiple accounts in seven banks based in Turkey, including one Bank Asya, which reportedly has links to the Gülenist Terror Group (FETÖ). Bank Asya has been closed down by Turkish

authorities pending a full investigation into these links. In 2017, the Turkish government implemented a law which would allow revenues from illegal betting gangs to be seized and bank accounts to be more tightly monitored, but large scale illegal betting and money laundering still takes place.

The authorities have increased their cooperation with Turkey's banks in order to better clampdown on this trend and last month police detained 11 suspected members of an illegal betting gang operating in Gaziantep.



## ATLANTIC CITY PROFITS DOWN

Severe winter weather marred much of the first quarter of 2018 in Atlantic City, causing operating profit to fall 11.7% to \$123.6m, the worst year-over-year comparison since the second quarter of 2013. The decline broke a streak of six consecutive quarters of profit growth.

Hotel occupancy in Atlantic City was down 3.2 percentage points to 77.9% while gaming revenue for the quarter was down 3.2% to \$599.2m. Entertainment and other revenue fell 4% to \$39.2m.

CASINOS	OPERATING PROFIT (\$M)	PERCENTAGE CHANGE (%)
Golden Nugget (Landry's)	\$10.009	+61.5
Bally's AC (CZR)	\$6.212	+38.2
Harrah's (CZR)	\$28.415	+18.7
Tropicana AC (TPCA)	\$17.474	+6.5
Borgata (MGM)	\$45.128	-27.1
Caesars (CZR)	\$12.577	-38.0
Resorts	\$1.682	-58.0
<b>ONLINE GAMING</b>		
Caesars Interactive	\$2.909	+38.9
Resorts Digital	(\$0.815)	N/A
<b>TOTAL</b>	<b>\$123.591</b>	<b>-11.7</b>

## MACAU VISITORS UP IN APRIL

The number of visitors to Macau grew 8.0% in April, rising to 2.961 million. Of the visitor figures reported during the month, same-day visitors led the way registering growth of 9% to 1.419 million visitors in April, while overnight visitors grew 7% percent to 1.542 million. Through the first four months of 2018, the number of visitors

to Macau was up by 8.4% to 11.507 million. The number of overnight visitors has risen by 9.3% to 5.872 million in the first four months of the year, while the number of same-day visitors has also risen, only this time by 7.5% to 5.634 million same-day visitors during the quarter.

## APRIL VISITORS TO MACAU

JURISDICTION OF ORIGIN	TOTAL	PERCENTAGE CHANGE (%)
Mainland China	2,061m	+16.5
Hong Kong	535,875	-12.0
Taiwan	94,545	+5.6
Republic of Korea	61,106	-5.9
Japan	21,800	+7.6
United States	19,315	+8.8
Australia	9,999	-3.2
Canada	6,751	-3.2
United Kingdom	6,165	-8.1
France	3,800	-9.3

## US STOCK UPDATE

The following US gaming stocks hit 52-week highs:

STOCK	SHARE VALUE
Tropicana	\$71.02
Las Vegas Sands	\$79.30
Scientific Games	\$62.05
Pinnacle	\$34.41
Churchill Downs	\$310.55



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## GUEST COLUMNIST



### JAMES BENNETT

DIRECTOR, SQUARE IN THE AIR

*Bennett talks about the importance of PR and marketing in what is a newly emerging US sports betting market and how lessons learned in the UK can be translated across the pond*

Last week was arguably the biggest event in global gaming legislation since a series of indictments was unsealed by the FBI all those years ago on the day which commonly became known as 'Black Friday'.

Monday, 14 May, 2018, however, was anything but a dark day. The Supreme Court's decision to 'strike down' the pre-existing PASPA law, calling it "unconstitutional", and effectively allowing any, or all, of the US's 50 states to legally open a nationalised state-by-state sports betting environment was met with universal euphoria on social media.

Lawyers and US sports leagues and owners were among the first to tweet a sigh of relief that it was all over, while undoubtedly rubbing their hands together in anticipation of the huge potential rewards. Then came national and international gaming brands and suppliers, all thrilled with their growing share prices and the news that they will finally be able to transform a multi-billion black market industry into a regulated network of betting offerings.

There is however a huge amount to learn from those that have been there and done it and who continue to pioneer gaming regulation, compliance and PR and marketing. US companies including casinos, racetracks and racinos, state legislators and regulators, lawyers and new entrants to the market and their senior management and marketing teams will all be eagerly planning. But to do that they would do well to look across the pond for a significant amount of knowledge, expertise and advice.

Nowhere, for example, is online and retail sports betting more mature and safer for customers than in the UK. Whether it is a flutter on a horse at the Grand National, a staple Saturday soccer accumulator or a novelty bet on the colour of the Queen's hat, betting is in our DNA. More importantly we know how to promote it. So, what should US companies look at now and how important will PR and the most experienced PR agencies be in this rapidly changing landscape?

#### STANDING OUT FROM THE CROWD

In the rush to exploit an existing position and/or enter the US market, brand awareness and reputation will be key.

To achieve this having a well-structured PR, marketing and crisis communications strategy will be vital to putting any brand or supplier on the map, and within the ear and eyesight of potential consumers and B2B contracts and partnerships which licence holders will be scoping out right now.

A core element of this will be well structured, well planned and strategic content including pre-prepared key messages and statements that will allow you to both enhance and protect your brand reputation and react to any issue and/or press query; a series of staggered press releases and announcements; written and video interviews and Q&As; profiles of key leaders and executives; and a steady stream of targeted thought leadership and commentary, all of which should appear within pre-identified target media and ideally endorsed and recommended by influencers.

For B2C brands and operators, connecting with customers on a real-time basis will be vital. In tandem with your wider content strategy this will mean engaging your comms team and PR agency to create both proactive and reactive PR and social media campaigns that appeal to your target audience. This will play a crucial and very measurable role in communicating your key messages, acquiring new and retaining existing customers and generating a consistent return on your investment.

One area that has seen excellent results for Square in the Air clients has been activating sponsorships and brand ambassador relationships by creating highly engaging video content. For this year's Cheltenham Festival, Square in the Air worked with Betway to create the West Ham Commentary School where leading first team players had a go at horse racing commentary.

The result was a video which went viral, being covered on numerous UK national press outlets like the Daily Mirror, The Sun, Mail Online and Daily Star. The entire video was also broadcast by ITV as part of its build up to the Betway Champion Chase, resulting in Betway being one of the most talked about brands at this year's Cheltenham Festival.

A structured media relations strategy is imperative when trying to boost account sign-ups and convert players from other verticals to your sportsbook. You must identify the publications, websites and influencers that are read and respected by your potential customers.

Ultimately, if your business, in line with the right PR support, creates, curates and distributes targeted, consistent content that works for your brand or services, and displays a consistent series of key messages that demonstrates leadership, expertise and trust, then you will instantly stand out from your rivals in what is going to be a very hectic and busy space.

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