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WEEK 22

FRIDAY 1 JUN 2018

NEVADA'S TOP BOSSES NET MILLION-DOLLAR PAYOUTS

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THIS WEEK

- **Cherry AB CEO departs**
- **NJTHA 'entitled to damages' from leagues**
- **Alizeti Consortium acquires Tote for \$200m**
- **Vietnam rethinks casino tax breaks**

GUEST COLUMNIST:

- **Simo Dragicevic, BetBuddy**



Nevada gambling industry executives received salaries which totalled \$145.7m in 2017, according to research released by board intelligence solutions providers Equilar and the Associated Press.

The news comes not long after the Las Vegas UNITE HERE's Culinary and Bartenders Unions voted overwhelmingly to authorise a strike, over labour contracts set to expire today (1 June 2018) and greater assurances over the security of members. These assurances included workplace safety, sexual harassment, subcontracting, technology, and immigration.

Rather painfully we imagine for the Union will be seeing that it is Steve Wynn, the former CEO and Founder of Wynn Resorts, who received the largest pay package last year. Wynn is said to have bagged an impressive \$34,522,695 in cash and stock based remuneration during 2017. However, this will be his last pay package from Wynn Resorts following his departure from the company after allegations of sexual misconduct emerged against him. His share holdings have also since been completely liquidated.

Next on the list is the owner and head of the Las Vegas Sands Corporation, casino billionaire, Sheldon Adelson. He is said to have been paid over \$26m for his services over the course of last year. Adelson's Sands operate several casino venues in ▶

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THIS WEEK IN NUMBERS



The number of rooms available to guests at the Baha Mar casino complex in the Carribean, which is finally set to open on the 1 June following delays

\$183m



The estimated value of affiliate company Better Collective, which is set to undertake its first IPO on 8 June

28.5%



The percentage increase in revenues reported by gaming supplier Aristocrat during the six months leading to 31 March 2018

Las Vegas including the Venetian, Palazzo and the Sands Expo hotels. The company has also got a large presence in Asia where it now operates six resorts on the continent.

Not far behind Adeslon was Mark Frissora, CEO of Caesars Entertainment. Over the course of 2017 Frissora saw Caesars exit out of chapter 11 bankruptcy and was clearly duly rewarded for both his own, and the company's efforts. Frissora was awarded just under \$24m for his services last year – perhaps rather unsurprisingly considering he helped see the company write off over \$24bn in toxic debt.

Heading down the list to the more 'modestly' paid executives is James Murren, CEO of MGM Resorts International. Despite having a successful year Murren was unable to come near the top three, although he won't be complaining as he is reported to have received over \$14.58m over the course of last year.

Going below the \$10m milestone we have IGT's CEO Marco Sala and Boyd Gaming CEO Keith Smith who were awarded \$9.86m and \$8.59m respectively, with Scientific Games CEO Kevin Sheehan pocketing over \$8.1m during 2017.

Timothy Wilmott, the man who oversaw Penn National Gaming's \$2.8bn acquisition of Pinnacle Entertainment, received a cool \$7.18m in remuneration as the company's CEO during 2017.

Also on the list were some of the smaller casino operation executives in Las Vegas. These included, Red Rock's Richard Haskins who received over \$5.12m. He was followed by Golden Entertainment's Blake Sartini and Elderado Resorts' Gary Carano who were paid \$4m and \$3.95m respectively.

The Equilar report analysed the salaries of 339 CEOs of some of the biggest US-based companies, of which only 17 were female, meaning that men still account for 95% of America's top CEOs. America's highest paid CEO was Hock Tan, CEO of communications company Broadcom, who received \$103.2m in remuneration during 2017.

What seems like ever increasing executive pay in the US industry was contrasted this week by shareholder advice bodies Glass Lewis and Pirc in the UK, who are currently urging investors to not support worldwide gaming firm GVC's latest pay report. The decision came after it was revealed that the company's Chairman and CEO are expected to be awarded a combined £67.5m (\$90m) in share options dating back to 2016.

CHERRY AB CEO DEPARTS UNDER INSIDER TRADING CLOUD

Swedish-based gaming services and product providers Cherry AB announced the departure of the company's CEO and President, Anders Holmgren, following a dramatic development which saw him detained by authorities in Sweden on reasonable grounds suspected for severe insider trading.

Holmgren, who took the helm at Cherry in February 2017, was reportedly detained after an investigation was launched by the Swedish Economic Crime Authority, following the raising of suspicions of insider crimes as a result of share trading. This news was then passed on to Cherry AB by the Stockholm District Court.

Following the termination of Holmgren, Cherry announced the appointment of Gunnar Lind as acting CEO while the company conducts a thorough search for Holmgren's replacement. Lind is a long-standing employee of Cherry having previously served in the role of CEO for five years up until 2011. Lind also currently serves

as a member of the company's board and chairman of the Cherry Audit Committee.

Discussing the revelations and the appointment of Lind, Morten Klein, chairman of the board of Cherry AB commented: "Anders Holmgren has made valuable contributions as CEO of Cherry, but he is unable to perform his duties while facing accusations of severe insider trading. The board of directors has today decided to terminate his employment as CEO.

"In connection therewith, Anders Holmgren will also leave his assignments as board member in Cherry's subsidiaries. As previously announced, Gunnar Lind is acting CEO and will remain in this position to ascertain that the group develops according to plan until a permanent CEO is appointed."

At Cherry's last annual general meeting on 30 May, this news was confirmed by the company's decision to re-elect the current board members Morten Klein, Anna Bergius, Claes Ruthberg, Johan Moazed and Gunnar Lind as board members.

16.2%



The drop in IGT's share price reported in the period 14 - 30 May



The number of lobbying priorities established by the American Gaming Association for any potential roll out of sports betting in the US

NJTHA 'ENTITLED TO DAMAGES' FROM SPORTS LEAGUES

New Jersey Thoroughbred Horsemen's Association (NJTHA) representatives announced the filing of a lawsuit against several prominent US sports leagues in a dispute revolving around the loss of earnings caused by the blocking of sports betting legalisation in New Jersey.

New Jersey's former governor Chris Christie signed a statute permitting sports betting at the state's casinos and racetracks in 2014, only for that statute to be questioned legally in an action which culminated in a Philadelphia-based 3rd US Circuit Court of Appeals ruling that the statute violated PASPA in August 2016.

NJTHA are currently claiming that the decision by the NFL, NBA, NHL, MLB and the NCAA to support the blocking of sports betting legislation in 2014 cost their Monmouth Park operation close to \$150m during the period between 26 October 2014 and 18 May 2018, as a result of it being unable to operate a sports betting area on its grounds.

However, despite the leagues blocking the NJTHA from operating a sports book in Monmouth, the leagues did support the

operation of fantasy sports games through endorsements and promotions. The NJTHA claimed that this decision was proof that the leagues acted in 'bad faith' during its decision to block the legislation.

Commenting on the lawsuit and potential reparations, Dennis Drazin, a consultant for the horsemen's group, said: "When you add up the numbers it comes to \$150m to \$200m, and it may be more."

"That number doesn't come out of air. I'm sure the leagues will have something to say about it. We know the leagues are wrong. It's pretty clear we are entitled to damages."

Those leagues have now descended upon Trenton New Jersey to lobby lawmakers into introducing an "integrity fee" which would entitle them to 1% of wagers placed on their respective leagues.

"After stopping New Jersey for years (from sports betting) for reasons that we think are not legitimate, they are not entitled to an integrity fee," Drazin added. "The Senate president has said he is not putting an integrity fee in his bill. I've seen his words. They are pretty strong. I trust the Senate president to maintain that position."

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THE WEEK IN QUOTES

"This acquisition represents an excellent opportunity to further solidify our presence on the East Coast, and in particular, expand our reach into the high-density New York City region. We believe this transaction enhances our free cash flow profile and presents attractive future opportunities for the Company, and we look forward to welcoming the Empire City team and guests to the MGM Resorts family."

Jim Murren, Chairman and CEO of MGM Resorts International, speaking about the group's \$850m acquisition of Empire City Casino

"We are excited to add FanDuel to the Group's portfolio of leading sports brands. This combination creates the industry's largest online business in the US, with a large sports-focused customer base and an extensive nationwide footprint."

Peter Jackson, CEO of Paddy Power Betfair, speaking about the company's multi-million dollar acquisition of US daily fantasy sports operator FanDuel

"In addition to LeoSafePlay, which is our overarching platform for responsible gaming, we are now taking yet another step to enhance player protection. Adding GAMSTOP shows our high ambitions in responsible gaming."

Gustaf Hagman, CEO of LeoVegas about the decision to register with new responsible gambling tool GAMSTOP

THIS WEEK'S WINNERS AND LOSERS

WINNERS

Japan - where a bill that puts in place measures to prevent gambling addiction successfully passed through Japan's House of Representatives

BetConstruct - the online gaming and betting operator announced that it had been licensed by the Romanian National Gambling Office

Advocates for Gaming expansion in Illinois - after senate gaming expansion Bill S7 failed to pass the Illinois House Executive Committee. Despite a majority 5-4 vote, S7 failed to meet the required six-vote threshold it needed

Atlantic City - where demolition of the now shuttered Trump Plaza hotel has been delayed. No permits have been filed by the hotel's owner - billionaire mogul Carl Icahn

LOSERS

UK HORSE RACING CONSORTIUM SET TO ACQUIRE THE TOTE

The Alizeti consortium and Betfred announced that they have entered into a deal that could be worth up to £150m (\$200m) for the acquisition of the legendary UK bookmaker the Tote.

Alizeti will reportedly pay an initial sum of £20m (\$27m) for a 25% minority stake in the Tote, while maintaining the option to purchase the other 75%, according to reports by Sky Sports.

Many members of the UK horse racing industry came out to voice their support for the deal which could see the Tote change hands again following Betfred's 2011 purchase of the bookmaker from the UK Government for £265m (\$353m).

Speaking about the agreement, Betfred CEO Fred Done said: "Alex [Frost] and his team's enthusiasm for racing coupled with their excellent vision for the future of the UK Tote is most impressive. It is for this reason I am delighted to join with Alizeti in moving the Tote forward to the next exciting chapter in its history."

Paying tribute to Done's role in leading the Tote, Alizeti CEO Alex Frost added: "Fred has achieved incredible things in the industry. He has delivered on all his promises regarding contributions to racing

and securing jobs. I am tremendously excited about our shared vision for a truly iconic brand within the sport of horseracing, and for where the Tote can go next - both domestically and on a global stage."

Stressing the potential benefits to British racing of the multi-million pound deal, Charlie Liverton, Chief Executive of the Racehorse Owners Association, said: "The retention of owners in British racing is of paramount importance and critical to ensuring that the number of horses in training increases.

"Whilst one of the challenges at the moment is sole owners leaving the sport, it is encouraging to see a group of owners and breeders coming together to help build a strong Tote to benefit all of racing, including through an increased contribution to prize money; a huge positive for the industry."

Sentiments which were echoed by 20-time Champion Jockey Sir Anthony McCoy, who added: "A successful Tote means big prize pots for race fans and money going back into the sport. It's great to see the Tote will continue to be owned by real horsemen with racing's best interests at heart to provide just that."

VIETNAM RE-EVALUATES CASINO TAX BREAKS

Legislators in Vietnam are considering proposals that would end previously greenlit taxation breaks for casino operators looking to develop properties in some of the country's special economic zones.

Under current legislation, there are four main special economic zones, where developers might receive preferential treatment if they chose to build casinos there, these are Van Don in Quang Ninh Province in the north of Vietnam, Bac Van Phong in Khanh Hoa Province and Phu Quoc in Kien Giang Province in the south.

The Vietnamese National Assembly had previously agreed a 100% tax reduction for developers entering these four zones during the first four years of operation.

This framework allows for a further 50% tax reduction to be applied during the following five years of operation, before reducing to a 10% reduction for another 21 years.

In January 2017, the Vietnamese government approved a three-year trial period in which casinos could accept bets from Vietnamese citizens, where previously

only foreign gamblers were allowed to enter Vietnamese casinos and gamble.

This in tandem with the tax breaks being proposed aims to entice some of the biggest operators to enter the nascent Vietnamese gambling market, which has only attracted interest from Hard Rock International and the Sun Group thus far.

However, some delegates within the Standing Committee of the Assembly have publically criticised the tax breaks as being too generous.

The new proposals would have developers pay corporate income tax of 17% from the first day of opening to the end of the first five years of operation together with a higher excise tax, which is set at 15% for the first 10 years.

In addition, unlimited exemptions on leases linked to land plots and waterfront would be scrapped, with new ones applied that do not exceed half the leases of each casino project. The only exception to this is in the Van Don and Phu Quoc special economic zones, which are limited to 30 and 20 years respectively.

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LV AIR PASSENGERS RISE

The number of arriving and departing passengers to Las Vegas's McCarran International Airport grew by 3.1% in April to 4.188 million.

At the same time, the number of domestic passengers travelling into McCarran grew by 3% to 3.787 million, while the number of international passengers travelling into McCarran grew by 7% to 320,813.

Through April, passengers are up 3% to 15.832 million. Domestic passengers are up 2.8% to 14.380 million and international passengers are up 4.1% to 1.145 million.

MACAU HOTEL GUESTS UP

The number of guests staying at Macau's hotels in April grew 7.6% to 1.165 million.

Guest numbers travelling into Macau from mainland China grew by 16.8% in April to 792,000, while the number of guests travelling into Macau from Taiwan increased by 4.5% to 43,000 during the same period.

In April, hotel occupancy in Macau was 88.9%, up 2.8% from those occupancy figures reported during the same period of last year. Hotel occupancy at 4-star and 5-star hotels was recorded at 91.9% for both during April. On an individual basis, 4-star occupancy grew by 2.1% during April, while 5-star occupancy grew by 6.1% during the same period.

The number of visitors arriving into Macau specifically from package tours also grew 12.9% to 757,000.

Throughout April, the numbers of hotel guests in Macau rose by 8.8% year-on-year to 4.518 million. Package tour visitors are up 20.1% to 2.885 million through April.

RI SLIPS

Elsewhere in the US, gaming revenues in the US state of Rhode Island decreased by 0.42% in April.

Revenues reported from the Newport Grand casino in Newport, Rhode Island fell by 2.32% during the period, although the Newport Grand casino licence will shortly be transferred to a new \$75m casino opening shortly in Tiverton RI.

The new Tiverton casino will compete with the casinos of its neighbouring state, Massachusetts, including the planned MGM Resorts casino in Springfield.

PROPERTY	REVENUE (\$M)	CHANGE (%)
Twin River	48.816	-0.25
Newport Grand	4.191	-2.32
STATE TOTAL	\$53.006	-0.42

US STOCK UPDATE

The following US gaming stocks hit 52-week highs:

GAMING COMPANY	STOCK PRICE
Eldorado	\$45.35
Las Vegas Sands	\$79.30
AGS	\$24.46



TACKLING RESPONSIBLE GAMBLING IN REAL TIME

SIMO DRAGICEVIC, FOUNDER OF PLAYTECH COMPANY BETBUDDY, TALKS RESPONSIBLE GAMBLING

Strategies for responsible gambling have been a top priority for operators and providers in the gaming sector for years.

But when the UK Government verdict on the maximum fixed odds betting terminal (FOBT) stake landed in May, the issue dominated the national news agenda and settled firmly at the forefront of the industry's consciousness.

This, together with the roll-out of the soon-to-be mandatory GAMSTOP programme, has meant that providers and operators are more under the microscope than ever.

While the need for a robust responsible gambling strategy had always been there, there is now a new emphasis on decisive, demonstrable action from operators, particularly around proactive engagement with players. The UK Gambling Commission (UKGC) has made it clear that it expects to see significant efforts from industry to close capability and expectation gaps in these areas – and evidence of this.

Meanwhile, the recent Responsible Gambling Strategy Board update highlighted two areas where significant improvement is still required: piloting interventions (marked red/amber in terms of concern levels) and building cultures of evaluation (red).

To make serious strides in these two areas, operators need to look beyond traditional techniques. A clear strategy for real-time engagement with players – more specifically, personalised real-time engagement – is vital when it comes to addressing player risk and helping players assess their own decisions.

Let's take the example of a player who has been flagged as high-risk due to major variations in their deposit amounts within a relatively short period. A generic communication, such as an automated email, will have little or no impact.

Even if you buck the trend of poor open rates, the content has little personal relevance for most players. But most crucially of all, it comes too late. Engaging with the player hours or days afterwards is unlikely to make them address their behaviour. And by the time they deposit again, the message will be forgotten.

Ultimately, timing and relevance are key. A 'one-size-fits-all' responsible gambling message with no personalised context is little more than background noise for most players.

Addressing the specific behaviour and doing so as it happens, is likely to be more effective. A real-time message at the point of deposit gives the player the chance to proactively consider their action before taking it.

Being able to deliver this kind of real-time response

requires not only the right technology, but a clear understanding of customer behaviour at a granular level. Operators need to better understand more than just that a player may be at risk – they need to know why they are at risk and how to address this. The player in the example above triggers a risk warning because of erratic deposit behaviour. For another player, their session duration may be the red flag. Both players may benefit from intervention – but probably not the same message.

When developing the technology behind the BetBuddy Responsible Gambling analytics platform, the value of detailed player risk profiles that could be continually reassessed was at the forefront of our research. Our three-tier model is based on exhibited, declared and inferred behaviour, which utilises machine learning technology for accurate pattern matching.

It assesses player actions in the context of problem gambling behaviours. It then combines this with players' own interpretations of their behaviour through self-assessment tests and builds a reference set to understand the specific probability of a player being at risk.

This data can then be used to tailor communications accordingly and, crucially, evaluate whether the interactions are helping to moderate play, allowing for ongoing refinement of the intervention methods and strategy. It is this kind of evidence of action and success measurement that the UKGC will be expecting to see.

Of course, in the world of omni-channel gambling, the value of this technology is inexorably tied into its integration into all systems across all platforms. The real-time engagement described earlier is only possible if an operator's campaign management system has the capacity to build in customer interactions at specific trigger points, in many cases within the specific game they are playing. BetBuddy was a natural fit for Playtech because our technology integrates with the IMS player management platform, so operators can interact with players directly through a familiar system.

There is no magic formula for delivering a foolproof responsible gambling strategy. There is also no finish line. Instead it needs constant, ongoing attention. The very reason the UK Gambling Commission has taken such a clear line is that the work is never truly done.

A successful strategy requires the consistent application of best practice, relevant and positive brand messaging, sophisticated behavioural analytics capabilities, and technology that can be adapted to keep up with changes in the industry and player behaviour.

Achieving this will be no mean feat. But in the long term, operators that make progress in all these areas will minimise harm to players without compromising their enjoyment.

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