



WEEK 23

FRIDAY 8 JUN 2018

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THIS WEEK

- **DraftKings goes Down Under despite online taxation**
- **AGA confirms the departure of CEO Geoff Freeman**
- **Las Vegas strike threat reduced due to new union contracts**
- **Macau's GGR revenue fails to meet expectations in May**

GUEST COLUMNIST:

- **Kevin Reid**
CCO, 1X2 Network

DELAWARE FIRST US STATE TO ADOPT SPORTS BETTING



Delaware became the first US state to implement full-scale sports betting operations on Tuesday. Three casinos launched full-scale sports betting operations at 1:30pm local time on 5 June. This historic moment marked the first implementation of the new expanded full-scale sports betting operations in the state, following the US Supreme Court's decision to repeal PASPA.

The sports betting operations went live at Delaware Park, Dover Downs Hotel & Casino, and Harrington Raceway & Casino. The operators will be able to offer single-game and championship wagering on professional baseball, football, hockey, basketball, soccer, golf, and auto racing.

It was GVC Holdings, through its proprietary US sports betting platform, held in Stadium Technology Group, that was used to 'power sports betting at the state's casinos'.

Commenting on the company's achievement, GVC's Director of Development and Corporate Strategy, Adam Greenblatt said: "We are delighted to be up-and-running as the first – and currently only – provider with a market ready solution for our partners in the new regulatory environment. As legislation evolves in the post-PASPA world, having the capability and flexibility to be able to get to market fast, with proven and compliant ▶



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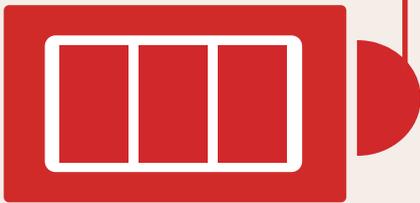
THIS WEEK IN NUMBERS



\$700m

The cost of the Seminole Hard Rock Hotel & Casino in Tampa, Florida, that started construction earlier this week

\$204m



The combined gross revenue from slot machines at the 12 casinos in Pennsylvania during the month of May

5.1%



The year-on-year percentage increase in OPAP's revenue during Q1 2018

technology, is a key advantage for us. A separate deal between Scientific Games and the Delaware Lottery agreed in 2009, to provide content and manage services, has also placed Scientific Games in a favourable position in the state. It was announced that the company would be responsible for implementing Delaware Lottery's expansion into sports betting.

Discussing the new sports betting expansion and his company's role in it, Pat McHugh, Senior Vice President, Global Lottery Systems for Scientific Games, said: "Since Delaware is known as 'The First State', it's appropriate they were first in the nation to expand regulated sports betting after the PASPA ruling. We are proud to support the Delaware Lottery's long history of industry firsts, and thrilled to be their trusted provider of an integrated sports betting program serving both casinos and lottery retailers across the state."

Commenting on the new opportunity, Vernon Kirk, Delaware Lottery Director, added: "In anticipation of the Supreme Court's ruling on PASPA, we have been working with Scientific Games, our long-time sports betting provider, as well as training our lottery and casino staff, so that we were ready to launch full-scale, head-to-head betting on single games."

The decision to legalise sports betting in Delaware was made by The Delaware Department of Finance, in consultation with the Attorney General's Office who determined that there were now no legal obstructions preventing the state from offering sports betting.

With the launch of sports betting in the state, Delaware Governor, John Carney commented: "Delaware has all necessary legal and regulatory authority to move forward with a full-scale sports gaming operation, and we look forward to next week's launch. We're hopeful that this will bring even more visitors into Delaware to see firsthand what our state has to offer."

This sentiment was echoed by Rick Geisenberger, Secretary of the Delaware Department of Finance, who had outlined previous preparations for the sports betting expansion, stating: "We have worked closely with Delaware's three casinos to train lottery and casino staff in preparation for a launch of expanded sports betting, and Delaware is prepared to move forward. We will continue to provide public updates and additional information through the Delaware Lottery ahead of next week's launch."

The state of New Jersey's lawmakers might be kicking themselves considering they spent over \$8.5m on legal fees attempting to legalise sports betting and yet have been unable to implement full-scale operations as quickly as Delaware.

DRAFTKINGS GOES DOWN UNDER DESPITE ONLINE TAXATION

Boston-based daily fantasy sports platform DraftKings announced its official launch in Australia, despite more territories introducing high point of consumption taxes for online gambling.

DraftKings is the largest platform of its kind, and Australia became the eighth country that the company expanded its offerings into, following success in both the European and North American markets.

The news comes during a period of change in the country, as public opinion in Australia surrounding gambling has turned very negative, with several gambling and casino scandals hitting the nation's headlines. As a result, politicians and pressure groups have pushed for new points of consumption taxes for gross gambling yield. These have been introduced, or are set to be introduced, in several territories including South Australia, Victoria, New South Wales, Queensland and Western Australia.

Most recently in the Australian Capital

Territory's budget for the upcoming year, a 15% point of consumption tax, the same as the other territories except Victoria (8%), for all online betting was announced, set to come into effect on 1 January 2019.

However, DraftKings will be hoping that their platform, which allows for players to wager on several sports, including football, could prove profitable at this point in time with increased interest generated by Australia's qualification for the upcoming FIFA World Cup. Commenting on the decision to venture into the Australian market DraftKings Chief International Officer, Jeffrey Haas said: "Australia is home to some of the most passionate sports fans in the world and that's a key reason why DraftKings decided to open there."

"We're confident Australians will enjoy the exciting and innovative competition formats we have available across ten international sports, and their ability to compete against other people, both local and international."

\$816.1M

The reported net revenue Penn National Gaming generated during the three months ending 31 March, 2018



\$18,000

The amount bet365 spends a month on a lobbying firm in New York as the state debates whether to legalise sports betting

AGA CONFIRMS THE DEPARTURE OF CEO GEOFF FREEMAN

The American Gaming Association (AGA) confirmed the departure of the group's CEO, Geoff Freeman, in an email sent by the trade group's Director, Tim Wilmott.

Freeman's departure will be leaving a big pair of shoes to fill at the AGA, as the email stated that the national trade group would now begin its process of finding someone to replace the outbound executive. Freeman is expected to vacate the role by the end of July, according to the email.

During his five years leading the AGA, Freeman oversaw various significant advocacy victories, with the most notable being the role he and the group played in the US Supreme Court's decision to remove PASPA, opening the door for individual states to expand into full-scale sports betting. The email also stated the reason for his departure. Freeman will be leaving after accepting the role of President and CEO of the Grocery Manufacturers Association (GMA). The GMA is the leading lobbyist group for the \$2.1 trillion food, beverage and consumer products industry. The email, which was sent by Wilmott, who as well as being the AGA Chairman is

also the CEO and Director of Penn National Gaming, discussed the achievements that Freeman had overseen, stating: "The AGA accomplished many important successes during Geoff's tenure, most notably the recent Supreme Court ruling declaring the Professional and Amateur Sports Protection Act (PASPA) unconstitutional, a decision that paves the way for legalised sports betting in the US. Geoff and his team were also instrumental in preventing an IRS effort to decrease the slot tax threshold, protecting resort fees from a federal government effort to eliminate them in their entirety and building a strong relationship with FinCEN such that the gaming industry is now a model for anti-money laundering compliance."

Benno Dorer, Chairman and CEO of The Clorox Company, Vice Chairman of the GMA Board and a member of the CEO Search Committee, added: "His approach balances strong offense with smart defence and he's achieved success in leading industries to embrace communications, social media and grassroots efforts as tools of contemporary advocacy."

MALTA'S BEST DIGITAL COMPANY OF THE YEAR AWARD 2018



THE WEEK IN QUOTES

"We are pleased that the department is taking this step, and we expect a similar action on the Mashantucket Pequot tribal amendments in the very near future. Today's decision is the latest step in the overall goal to preserve thousands of good paying jobs and millions in tax revenue."

Speaking on behalf of the Mohegan Tribe and Mashantucket Pequot Tribal Nation's MMCT Venture, spokesperson Andrew Doba responds to the US Department of the Interior motion to approve a revised compact between the tribes and the state to build a third casino in East Windsor

"Gala Leisure has always been a fantastic company with great people. I believe we have a strong strategic plan and a strong team, led by Chris Matthews, and that he will lead this company to success in the future. I look forward to working alongside Chris, the Board, and its supportive owners Caledonia Investments PLC in this next exciting phase of the company's history."

John Kelly OBE, on his recent appointment as Non-Executive Chairman of Gala Leisure

THIS WEEK'S WINNERS AND LOSERS

WINNERS

Sands China employees - Of which 99% of the 28,000 employees are eligible to receive a "one-off special bonus" to full-time workers of "qualifying grades"

Maryland's six casinos - Which set a new all-time monthly revenue record in May, led by an equally record-setting performance by the state's newest venue

New York - Little to no headway has been made in the state's quest to offer legal sports betting

Wynn Resorts - Despite the fact the company's revenue has maintained relative strength since sexual misconduct allegations broke about the former CEO. However, Deutsche Bank Securities has lowered its second-quarter expectations for the company

LOSERS

LAS VEGAS STRIKE THREAT REDUCED DUE TO NEW CONTRACTS

MGM and Caesars have both avoided a city-wide strike in Las Vegas, as tentative agreements with union members working in their hotel and casino venues have been confirmed.

The Culinary Workers Union Local 226, the largest local union of UNITE HERE, confirmed the deals between their union members who work for MGM and Caesars land-based operations in Las Vegas. The union stated that the new tentative agreements covered 36,000 workers and will cover the next five years.

A city-wide strike would have cost the operators \$10m a day in operating profits, according to a recent UNITE HERE gaming research report, making the deal a top priority in recent weeks for Las Vegas casinos.

On 22 May, 25,000 union members voted 99% in favour of authorising a city-wide strike. This was followed by 34 casinos in Las Vegas failing to meet the renewal deadline for the labour contracts on 31 May.

After the contract renewal deadline passed, it seemed that a city-wide strike would be imminent with the Culinary Union's establishment of a "Strike HQ",

a space tasked with the making of strike picket signs.

However, the tentative deal with Caesars Entertainment Corporation was confirmed on 2 June by the culinary union 226 spokeswoman, Bethany Khan, announcing the first of the new five-year contracts covering 12,000 members of Caesars staff.

The new contracts are reported to include a 2.8% wage increase as well as improved "groundbreaking" language on worker security regarding sexual harassment, workload, technology, and immigration. These were the main aims of the union prior to the negotiations.

A survey conducted by the union revealed that out of 10,000 Las Vegas casino workers, 59% of cocktail servers and 27% of hotel housekeepers said they had been sexually harassed while at work, reinforcing the need for better worker protection.

A tweet on Saturday from the union's Twitter account confirmed that a second deal had been reached, covering a further 24,000 workers at MGM Resorts International's 10 casino resorts on the Las Vegas Strip.

MACAU'S GGR REVENUE FAILS TO MEET EXPECTATIONS IN MAY

Macau's gross gaming revenue failed to reach analysts expectations in May leading to several casino operators experiencing a decline to their share values. The Gaming Inspection and Coordination Bureau, showed in its latest monthly report for May that gross revenue from games of fortune only totalled \$3.15bn during the month, higher than the \$2.82bn it registered during the same period last year, but more importantly it was well below analysts' expectations. Casino operators' share values decreased as a result of the 12.1% gain to the region's gambling revenue in May, an increase which failed to meet the industry analysts' high expectations of 16-20%. Comparatively, the year-on-year growth posted by the region in April had been 27.6%. An index of the Macau casino operators experienced a 3% decline, with MGM China holdings share value declining

at an even faster rate of 4.4%. Wynn Resorts also reported a decrease of 3.3% for its own shares on Tuesday. One of the reasons reported to exacerbate the reduction in casino share value and the revenue decline is a result of reports emerging surrounding a Chinese Government crackdown on cash outflow to and from the region. The main issue and threat to investors is the fact that the potential cash flow clampdown, as has been the case in the past, might result in numerous cash machines being removed from within casinos and other venues, mainly pawn shops, in Cotai and the other nearby areas such as Gongbei. Investors know that as these cash machines and pawn shops are frequented by gamblers as a source for funding their games, and that the lack of cash machines will have a negative impact on the city's intake from mass market gambling.

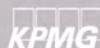
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US STOCK UPDATE

The only stock to hit a 52-week high was 500.com at \$21.80.

WBAI doesn't actually operate in the US, but is a lottery technology provider in China that had seen its stock fall after online lottery sales were banned by China's Sports Lottery, for which it was a provider. WBAI is working with the sports lottery on a management system in order to reinstate sales.

PA INCHES, MD LEAPS

The impact from the new Empire Resorts' Resorts World Catskills casino in New York appears to have diminished for Northeast Pennsylvania casinos, as slot revenues in May for the three casinos only fell 0.35%. Statewide casinos inched up 0.37%.

For Maryland, maybe it was pent-up demand from a long winter that lasted well into the spring, but gaming revenues hit a record in May as both National Harbor and competitor Live! grew by double digits.

Every casino grew year-over-year, the first time since May 2016. May's calendar comparison to last year was neutral.

PROPERTY	REVENUE (M)	CHANGE Y-O-Y (%)
Valley Forge	\$7.947	+11.60
Parx (Greenwood)	\$35.708	+4.76
Harrah's (CZR)	\$17.243	+0.33
SugarHouse (Rush Street)	\$15.549	+0.14
PHILADELPHIA TOTAL	\$76.447	+3.42

PHILADELPHIA

PROPERTY	REVENUE (M)	CHANGE Y-O-Y (%)
Rivers (Rush Street)	\$22.676	+2.42
The Meadows (PNK)	\$17.359	-9.40
PITTSBURGH TOTAL	\$40.035	-3.06

PITTSBURGH

PROPERTY	REVENUE (M)	CHANGE Y-O-Y (%)
Presque Isle (ERI)	\$9.940	+2.49
Hollywood (PENN)	\$18.104	-1.48
Lady Luck Nemacolin (ERI)	\$2.412	-10.57
STATE TOTAL	\$203.993	+0.37

ELSEWHERE

PROPERTY	REVENUE (M)	CHANGE Y-O-Y (%)
National Harbor (MGM)	\$62.300	+23.24
Ocean Downs (CHDN/Saratoga)	\$6.433	+20.95
Live! (Cordish)	\$52.021	+13.36
Hollywood Casino (GLPI)	\$6.786	+6.74
Rocky Gap (GDEN)	\$4.938	+3.94
Horseshoe Baltimore (CZR)	\$24.077	+2.04
STATE TOTAL	\$156.556	+14.72
STATE SAME STORE	\$150.123	+14.47

MARYLAND

PROPERTY	REVENUE (M)	CHANGE Y-O-Y (%)
Sands Bethlehem (LVS)	\$27.009	+1.90
Mohegan Sun	\$17.437	-1.90
Mt. Airy	\$12.609	-2.82
NORTHEAST PA TOTAL	\$57.055	-0.35

NORTHEAST

GUEST COLUMNIST



KEVIN REID

CCO, 1X2 NETWORK

Reid explores how virtual sports games can bridge the gap between sports betting and casino in new and emerging markets

The global online gambling industry is on the cusp of rapid geographical expansion, with a raft of new and emerging markets opening their digital doors to the activity in regions such as Latin America, Africa, the USA and even Europe.

These markets offer tremendous potential, but can also be something of a minefield to navigate, particularly when it comes to the games players want to engage with. It must be remembered that in most, consumers lack trust in online casino products.

This is certainly true of random number generator (RNG) games such as slots, blackjack and roulette. This means that an education process needs to be undertaken, and consumers gently introduced to the RNG games that are so popular in more established markets.

In this regard, virtual sports games are a good fit. They act as an enabler, allowing punters in new markets to wager in a familiar way and on sports they recognise, while also getting comfortable with betting outcomes decided by an RNG.

Take Africa; sports betting is big right across the region, with punters wagering on everything from football and cricket to tennis and horse racing. These players are happy making wagers, and in some cases online, but not so comfortable with slots and table games.

Virtuals bridge the gap between both verticals; they often sit in the casino lobby but appeal to the sports bettor. They offer the odds, markets and sports punters are familiar with, but are essentially a casino game due to the RNG factor.

As such, they transfer the punter from the sportsbook and into the casino, while maintaining the intrinsic trust the player has with the sports betting product and brand. Over time, they become willing to try slots and table games.

In most new and emerging markets, punters have skipped the desktop stage and gone straight to mobile. In the past, this has been an issue for virtual sports due to the limited screen real estate and bandwidth availability.

But in recent months, virtual sports products have come on leaps and bounds when it comes to mobile. Unlike desktop games, mobile punters don't have time to sit and wait for the counter and want to play instantly. This has resulted in on-demand virtuals.

New formats have also come to the fore, such as tournament play which increases user engagement into the game and holds customers to the product. This benefits mobile play on these games where typically attention span is often limited.

Virtuals will prove particularly useful to casino and racetrack operators in the USA. Now that PASPA has been repealed, operators in New Jersey - and additional states in the coming months - are pushing ahead to quickly launch sportsbooks.

For those permitted to operate online casinos, virtuals are the ideal tool to cross-sell between casino players and sports bettors. Golden Nugget, for example, already offers virtuals, and as such has a database of sports bettors it can target straight away.

This will prove hugely valuable in the race to engage sports bettors. Operators in other states looking to legalise and regulate the activity can also launch virtuals now to get the jump on their rivals.

It is often argued that virtual sports are no replacement for sports betting, but that's not necessarily true. Sure, nothing beats wagering on a live football match, but where do punters get their fix in the off-season?

Again, this is where virtuals fill a gap in the market. Take Portugal, for example. Football is like a religion, and people love to place bets on their favourite teams and players. But when the season draws to a close, virtual sports allow them to continue to wager.

This helps operators to drive engagement and retention; players know they can always place a bet on football regardless of it being on or off season.

For operators, there are clearly many upsides to offering virtual sports to players, and this is particularly true of those looking to gain traction in new and emerging markets. It might seem like virtual insanity, but they will be the key to unlocking these markets proper.

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