



WEEK 30

FRIDAY 27 JUL 2018

GENTING FURTHERS PLANS FOR JAPAN AFTER IR BILL PASSES

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THIS WEEK

- DraftKings CIO calls for social-gaming regulation
- Kambi revenue up for Q2
- World Cup betting stats emerge from Italy and the UK

- MGM China expected to take a financial hit

GUEST COLUMNIST:

- Linda Mullan, Head of Group Legal, Better Collective



Attention has turned to the potential operators that could secure licenses in Japan's regulated land-based casino market, after the Integrated Resorts Implementation Act was authorised by the upper house of the Japanese Diet.

The Act will allow for the construction of three IR facilities, which will be used as a means to attract foreign investment, boost overseas tourism and revitalise regional economies. Operator Genting Singapore has incorporated five new indirect, wholly-owned subsidiaries in Japan, which is further proof of its plans to make a bid for one of the slots in the market.

The subsidiaries will be Genting Japan, Genting Tokyo, Genting Osaka, Genting Yokohama and Resorts World Yokohama.

Genting Singapore said: "The incorporations are not expected to have any material impact on the consolidated net tangible assets and earnings per share of the company for the financial year ending 31 December 2018."

Genting has previously made its Japanese market intentions clear, as it opened an office in Tokyo last year and has previously said it is "well placed" to bid for a casino licence in Japan. ▶



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THIS WEEK IN NUMBERS

\$2.5bn



The amount legalised gambling has raised in taxes in Colombia over the last six years

\$3.5m



The amount of revenue Meadowlands Racetrack generated in the first nine days the operator began to offer sports wagering at the venue

31%



The year-on-year increase in gross winnings revenue Kindred Group posted for the second quarter of 2018

\$59.9m



The total net revenue Monarch Casino & Resort generated for Q2 2018

\$270m



The sum of a tax bill the Australian government is attempting to levy against casino operator Crown Resorts

This is not the first time Genting has set up subsidiaries in Japan, as it made a similar move in 2014, setting up Resorts World Japan, Resorts World Tokyo and Resorts World Osaka.

Competition for the licenses is still expected to be fierce though, as Las Vegas Sands Corp., MGM Resorts International, Melco Crown Entertainment and Hard Rock International have also previously made their interest in Japan clear.

Bill withstands strong opposition

In a last-ditch attempt to delay the vote on the bill in the upper house, opposition lawmakers made an effort to repeal the bill by submitting a no-confidence motion against Prime Minister Shinzo Abe's cabinet, but the bill was approved by a majority vote of 166 to 72.

American Gaming Association (AGA) President and CEO Geoff Freeman said on the bill being passed: "Today, Japan took a giant step toward strengthening its economy, attracting international travellers and implementing stringent gaming regulation that protects consumers and eliminates criminal activity. In the years ahead, Japanese communities will realise the many integrated resorts-related benefits that have enhanced dozens of major destinations around the globe.

"The gaming industry is excited to help Japan achieve its economic goals and eager to partner with the governments and people of Japan to build a world-class gaming market and regulatory system."

Lack of public support

However, the introduction of the bill is highly unpopular among residents in the country, according to a recent Nikkei survey.

Support for Abe's cabinet tumbled to 45% in the latest Nikkei survey poll as his government passed the IR bill. Support rate for the cabinet dropped from 52% at the end of June to 45% in late July, while its disapproval ratings rose by five points to 47%.

DRAFTKINGS CIO: "LACK OF SOCIAL-GAMING REGULATION IS PREPOSTEROUS"

The Chief International Officer of operator DraftKings has called for more regulation in social gaming, labelling the current situation "preposterous."

Jeffrey Haas is unhappy players are not being offered the same protections as they are by regulated gaming operators, and believes this will reflect badly on the gaming industry.

Speaking at last week's iGB Live show, Haas said: "I think the current lack of regulation for social gaming is preposterous. There is a significant element of potential harm to consumers if they play irresponsibly, where they cannot set deposit limits, play limits or loss limits. These social gaming companies are generating hundreds of millions of dollars per year in revenues, and how can we be sure they are running fair games? How can we be sure they are protecting consumers?"

"Regulators will come in at some point, whether it's in banking, consumer affairs or gaming. I think it's important to be ahead of the curve with these things, to ensure operators are operating with integrity and consumers are protected, so that they don't lose money they can't afford to. The

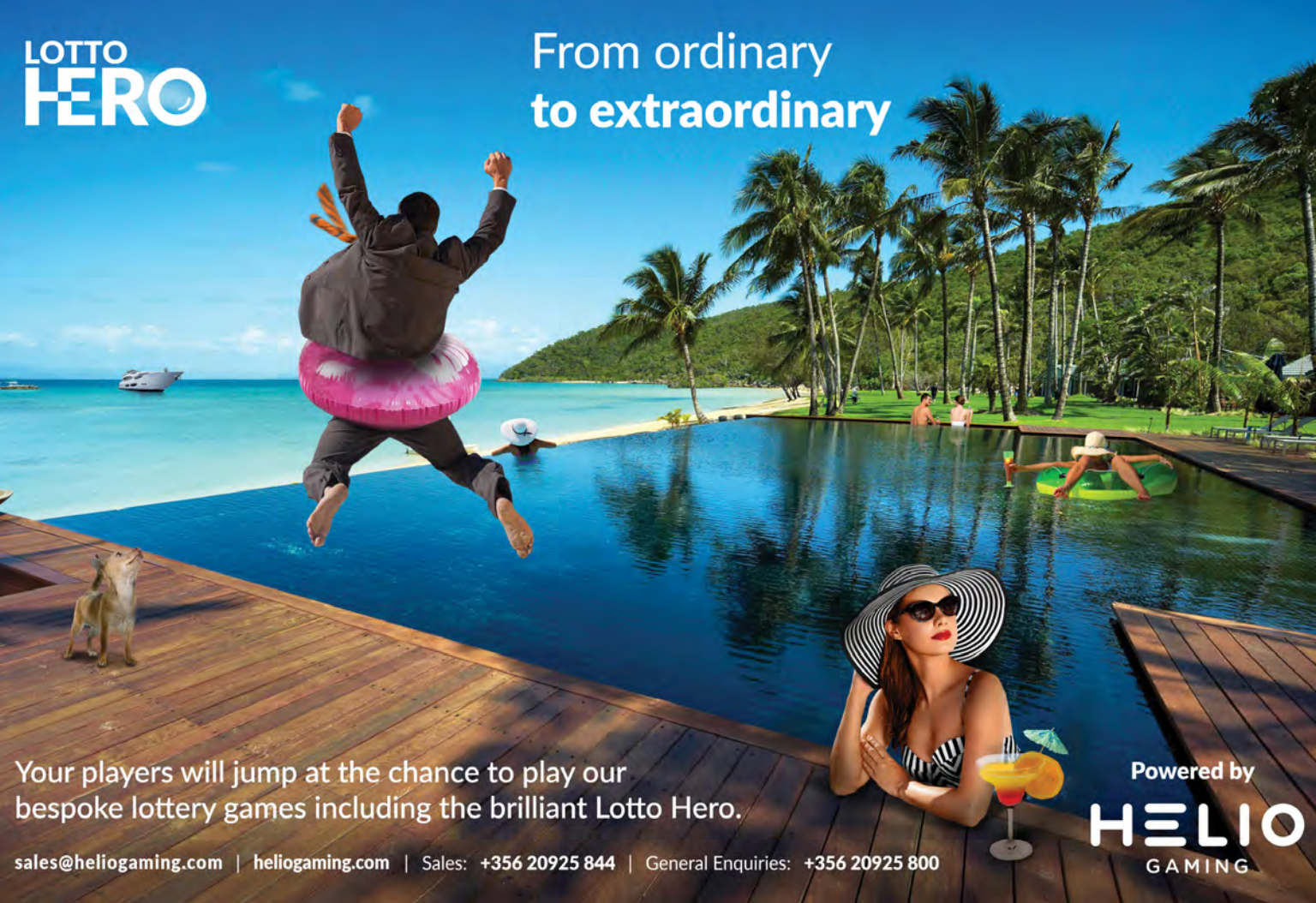
result of which could be a bad thing for any company that operates within the gaming industry or even gaming/entertainment."

Social gaming has provoked similar debates as to the discussions about Haas' own employers, when DraftKings operated in a previously totally unregulated daily fantasy sports (DFS) market in the US.

Similar to the DFS debate, much of the discussion centres on whether the games class as gambling and whether they can lead to harmful behaviour.

Haas added: "We as an industry, and this is the case in some jurisdictions more than others, have failed to proactively address consumer safety issues. Any gaming company, and not necessarily gambling company, should be thinking about their best practice with any product that could potentially harm players."

Nicholas Aquilina, Associate at law firm Brandl & Talos, was speaking on the same panel as Haas, and said: "There should not be a one-size-fits-all approach to this. There should be specific lightweight regulation for loot boxes. Regulation for all social gaming might not work if a new game comes along that doesn't fit into that."



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20% 



The percentage increase of lottery sales during H1 2018 in mainland China

28 

The record number of millionaires created at this year's World Series of Poker

 3%

The percentage drop in visitors to Greek casinos for H1 2018

KAMBI REVENUES RISE IN Q2 AS IT STEPS UP US EFFORTS

Sports betting supplier Kambi Group has reported a 25% year-on-year increase in revenues to €17.6m (\$20.6m) for the second quarter of 2018.

Operating profit (EBIT) was €2.4m for Q2, with a margin of 14% and €4.4m, and a margin of 13% for the first half of 2018.

Profit after tax amounted to €1.7m for the second quarter of 2018 and €3.2m for H1 2018 respectively.

Q2's encouraging results were aided by World Cup margins, while Kambi also made progress in the US following the federal repeal of the Professional and Amateur Sports Protection Act in May.

The supplier has already secured two US-based customer deals, with daily fantasy sports operator DraftKings and online gaming operator Rush Street Interactive.

At the time of the deal, Kristian Nylén, Kambi CEO, said: "Kambi has long kept a close eye on the US market, carefully building a business and technology to suit the likely state-by-state regulation of sports betting, as well as meet the requirements stakeholders have for a safe and secure sportsbook.

"This agreement with Rush Street Interactive, one of the most respected and innovative gaming companies in the US, is recognition that Kambi not only has online premium sports betting services ready to appeal to American sports enthusiasts, but those which will help protect the integrity of sports."

Nylén emphasised success in the US will not "happen overnight" and the company's "US-facing business should be viewed in the mid-to-long-term."

Kambi also signed with Stanleybet Romania in Q2 and with ATG and Latvijas Loto in Q3, continuing plans of expansion around Europe.

"Ahead of the World Cup, we launched three new customers into three regulated territories within the space of a week, demonstrating the scalability and capacity of the Kambi platform," Nylén said.

Click here for an exclusive interview with Kambi CEO Kristian Nylén



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THE WEEK IN QUOTES

"The illegal offshore wagering market is a scourge on Australian racing. More than AU\$1.3bn (US\$970m) of gambling activity is going offshore from Australia every year, denuding racing authorities of millions of dollars in product fees, hitting prize money, sponsorship and track and training facilities."

Executive Director of Responsible Wagering Australia, Stephen Conroy, on illegal offshore bookmakers

"We have played a crucial role in bringing transparency to betting-related match fixing, which is why we have taken a keen interest in the recent publication of the Interim Report into tennis by the Independent Review Panel."

Khalid Ali, ESSA Secretary General, discussing the 62 cases of suspicious betting in Q2 2018, with the majority of these (44) emanated from tennis

"This acquisition is in line with our strategy for growth and further establishes our position as lead generator in the financial vertical. We are very pleased to welcome LeapRate.com into the Catena Media family and look forward to helping the company realize its full potential."

Per Hellberg, CEO of Catena Media, on the company's acquisition of forex trading publisher, LeapRate.com

WORLD CUP WAGERS BREAK RECORD IN ITALY; MORE THAN ONE IN TEN BET ON THE TOURNAMENT IN THE UK

A record €466m (\$544m) was wagered on the FIFA World Cup by bettors in Italy, even though the national team did not qualify for the tournament for the first time in 60 years.

According to Italy's Agency of Customs and Monopolies, the wagering record comfortably beats the money spent during the last World Cup in Brazil, where €270m was wagered.

The increase is down to the expanded number of legal betting shops after the 2015 and 2016 Stability Law on tax amnesties authorised the opening of more shops.

Italian consumers have also benefitted from a larger market with regards to authorised betting.

The record results contradict many experts' concerns the market would suffer due to lack of national interest in the matches.

This news comes after the Italian government approved the Dignity Decree, which will see a blanket ban on all gambling advertising.

It is yet to be seen how the new law will affect the sports betting market in Italy, but the boost to the market could be maintained into the new Serie A season.

Yougov UK survey

Meanwhile, a large study showed about 12% of people surveyed placed a bet on the FIFA World Cup, with SkyBet being the most popular operator.

YouGov surveyed 2061 adults in Britain and found 30% of those surveyed bet with SkyBet during the tournament.

Paddy Power was the second most popular site with 24%, followed by Bet365 with 22%, Betfair with 18%, William Hill with 17% and Ladbrokes with 16%.

The research also found 14% of people took part in a World Cup sweepstake with family, friends or in the workplace.

According to the research, more than three times as many bets were placed online than via land-based operators.

The YouGov data also suggests about one sixth of these people were new gamblers.

THIS WEEK'S WINNERS AND LOSERS

WINNERS

Twin River Worldwide Holdings and Downs Gaming & Entertainment - Both companies have agreed to merge, where Twin River will become a publicly-traded company, and Dover Downs stockholders exchange their stock for Twin River common shares

Macau - Visitor arrivals were only up 8% during the first half of 2018, but a rise nonetheless

The Canadian Province of Québec's Bill 74 - The Superior Court of Québec ruled against the province's plans to block the domains of internationally licensed online gambling operators, to further advance the fortunes of Espacejeux, the online division of the Loto-Québec provincial gambling monopoly

LOSERS

MGM CHINA FORECAST CUT SHORT BY 12%

Morgan Stanley has reduced its EBITDA forecast for MGM China Holdings this year by 12%.

Analysts said they expect MGM China to report EBITDA of HKD4.86bn (\$620m) for the year.

The firm has also predicted MGM China's EBITDA next year would increase to HKD6.77bn (\$862.6m), and this forecast falls short of the previous forecast by 17%.

In the memo which outlined this forecast, Morgan Stanley said: "We expect MGM to report Q2 property EBITDA of \$142m (13% lower), the weakest among peers.

"While this seems to be reflected in recent stock underperformance, the earnings revision could continue to remain negative in the near term, capping performance."

According to Morgan Stanley, this can be attributed to the slow build up of business at MGM's Cotai property, a lack of VIP business and the cannibalisation of Peninsula casinos.

The note also said fewer allocations

of gaming tables to MGM Cotai has impacted on operations.

Despite the forecasts, Morgan Stanley remains positive MGM China will make significant growth in the long term once MGM Cotai becomes more established.

The memo read: "We also believe that from Q4, MGM could see an improvement in VIP and premium mass business. With SJM's opening delayed we expect MGM could continue to ramp well in 2019 with limited competition and 25 additional gaming tables."

MGM Cotai, a \$3.4bn property, opened in February with 100 live dealer tables that were new to the market, with another 25 set to be added next January.

This was the second casino MGM opened in Macau, the only region of China where casino gambling is legal, and came after the opening of MGM Grand Macau in 2007.

The market has seen 23 straight months of revenue gains, with MOP22.49bn (\$2.78bn) made in June.



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LOUISIANA RISES

Louisiana gaming revenues rose 5.21 percent year-on-year in June, which had an extra weekend date compared to last year.

Every market grew revenues except for Baton Rouge and Central Louisiana, which fell 12.24 percent.

Results were likely hurt by Baton Rouge's smoking ban, which went into effect in June. Outside of Baton Rouge and Central Louisiana, revenues grew 7.78 percent. Golden Nugget grew for the 20th straight month and was up double digits for the eighth month out of the last nine. Caesars' properties led the state in terms of revenue growth on the back of strong results from Horseshoe in Bossier City.

Shreveport/Bossier City

MARKET/PROPERTY	REVENUE (\$M)	CHANGE Y-O-Y (%)
Horseshoe (CZR)	18.084	+16.05
Margaritaville/ Bossier City	13.831	+9.83
Harrah's Louisiana Downs (CZR)	3.971	+6.86
Sam's Town (BYD)	6.654	+2.22
El Dorado (ERI)	9.901	-0.59
Boomtown (PNK)	4.804	-2.02
Diamondjacks (Legends)	3.014	-9.70
SP/BC Total	60.260	+6.46

Elsewhere

Amelia Belle (BYD)	3.827	+9.69
Routes, Truck Stops, OTBs	49.206	+4.67
State Total	273.665	+5.21

Lake Charles/Vinton

MARKET/PROPERTY	REVENUE (\$M)	CHANGE Y-O-Y (%)
Golden Nugget	27.661	+16.80
Delta Downs (BYD)	16.807	+14.61
L'Auberge (PNK)	30.517	+13.55
Isle of Capri (ERI)	8.640	-13.06
LC/Vinton Total	83.625	+11.26

New Orleans

Fair Grounds (CHDN)	3.718	+9.05
Boomtown (PNK)	10.238	+7.37
Harrah's (CZR)	23.711	+6.31
Treasure Chest (BYD)	9.764	+6.20
NOLA Total	47.431	+6.73

Baton Rouge/Central LA

Evangeline Downs (BYD)	7.268	-0.15
Hollywood BR (GLPI)	4.915	-11.89
L'Auberge Baton Rouge (PNK)	13.131	-13.16
Belle of BR (Tropicana)	4.004	-26.24
BR/C.LA Total	29.317	-12.24

US STOCK UPDATE

Dover Downs was the only US-listed gaming stock to hit a 52-week high through Wednesday, jumping to \$3.17 after the announcement it would be acquired through a merger with Rhode Island-based Twin River.

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GUEST COLUMNIST



LINDA MULLAN

HEAD OF GROUP LEGAL,
BETTER COLLECTIVE

With record fines in the UK, the gambling industry has received a badly needed wake-up call and now UK regulators have the industry's full attention.

Mullan discusses why this is a pivotal moment for the industry, with tremendous potential to refocus on the consumer and define the future of gambling in the UK

There is no doubt the industry has experienced growing pains and needed a reality check. Between bad actors and a lack of understanding of what is needed and expected, trust in the gambling industry has been badly shaken. The industry is now looking to regulators, and first and foremost the Gambling Commission, for guidance. Regulators now have a committed audience ready and willing to learn more about best practice, social responsibility and consumer protection. However, it remains to be seen if they will leverage this audience to its full potential.

I believe it is time for the Gambling Commission to decide what kind of regulator it wants to be. Will they step into the role of a true leader in a rather fragmented industry, establishing a clear and open dialogue that puts the consumer front and centre, or is their role simply that of judge and enforcer? Will they decide to use their power and tremendous momentum to seize the moment and become a fulcrum for meaningful, lasting progress? Will their focus be negative press and political opinion or grassroots, consumer-driven policy?

I know what I would like to see. Although unfortunately, it's not what I'm seeing now.

At present, the issue of regulatory compliance is dominated by uncertainty and fear. This atmosphere results in compliance initiatives that are focused on predominantly on-risk mitigation rather than transparent content that genuinely engages the user.

Going above and beyond compliance to achieve social responsibility should not mean losing sight of consumers' wants. The industry needs to work together with regulators to make increased transparency and responsible messaging a true asset to the user rather than an inconvenience or an irritation. As an industry that prides itself on innovation and creativity, a viable solution must be possible with collective action.

Between all of the stakeholders in the UK gambling industry, there is a huge amount of expertise, market research and a deep understanding of their users. The Gambling Commission is in a unique position to draw on these resources to become an agile, responsive regulator, pulling together a highly-competitive industry to connect knowledge and experience in the interest of the consumer.

This will not be possible in an environment where stakeholders who speak out about their concerns, challenges and ideas are met with vague platitudes. There is a fear of fines and loss of licenses for operators who admit they are struggling and want to learn. The overwhelming concern of taking a wrong step paralyses attempts at different ways to be transparent and socially responsible, gauging user response along the way. Many are instead taking the path of least resistance, implementing social responsibility and compliance in the most conservative way possible, in a way that does not account for user experience and engagement.

It is beyond doubt regulators should not act as a substitute for independent research and development; nor can prescriptive, narrow rules be effective in such a diverse and fast-changing environment. However, if they do not give actionable feedback, there is no scope for real dialogue.

The speed at which trends and technology can change renders static guidelines of limited value. As a best practice example, I would like to highlight the UK's Advertising Standards Authority (ASA). Its clear guidelines, accessible resources and sterling copy advice service create a positive feedback loop. This builds confidence in stakeholders to communicate exactly what they are doing and how, and to assess if they are on the right track.

Better Collective's ethos is to make gambling and betting entertaining, transparent and fair. We aim to put that at the heart of everything we do. There is great capacity for affiliates to be a positive force in the industry. We are the point of contact for consumers before they place a bet. We can provide transparency on different gambling operators and their products in a way that no gambling operator can. We can promote responsible gambling messaging and addiction help before any financial transaction is possible. We know there is room for development on all sides, but we are committed to becoming the best we can be.

So, to the regulators, operators, affiliates and all others who want to see a more socially responsible gambling industry, I will simply say this: We're here. We're working on it. Let's talk.

JUL/AUG ISSUE OUT NOW

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