



WEEK 32

FRIDAY 10 AUG 2018

WORLD CUP BETTING SUCCESS FELT AROUND THE GLOBE

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THIS WEEK

- **DraftKings NJ launch is official**
- **Profits up for PPB, Genting Singapore and Galaxy**
- **Scientific Games faces hefty fine**

GUEST COLUMNIST:

Dmitry Starostenkov, CEO, EvenBet Gaming



The FIFA World Cup in Russia has come and gone, but its effects on the gambling industry are just starting to fully come to light. All around the world, from operator's financial results to integrity services' success stories, and even unauthorised gambling operations arrests, the World Cup has had a massive impact on the industry.

Sports data and services supplier Sportradar handled a significant amount of data throughout the tournament. Through a joint statement with FIFA, the pair claims betting turnover during the event topped €136bn (\$157.6m). Perhaps even more surprisingly, they also stated there was no suspicious betting behaviour, meaning there was no match manipulation.

Estimated global betting turnover was about €2.1bn per match, with the France vs Croatia match generating €7.2bn. Sportradar monitored over 550 betting operators around the globe, using its Fraud Detection System.

Croatia should be the darlings of the gambling world right now, considering it started the tournament at 34/1 to win, and had been heavy underdogs to progress against international football giants Argentina and England. ▶



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THIS WEEK IN NUMBERS



The amount generated by the entire French gambling market in 2017



\$118.7m

Reported revenue for Everi Holdings in Q2 2018

HK\$20m

Amount lost by 70 people in Macau after being scammed by a Hong Kong-based crypto currency mining company



31

The number of people arrested as part of an illegal gambling operation in Singapore



The number of casino licenses up for grabs in Japan

This World Cup proved to be hugely profitable for bookmakers who reaped the rewards of its unpredictable nature. Take England for example. Home to a huge fan base of both supporters and gamblers, their unlikely progress to a first semi-final in 28 years led to £1.5bn (\$1.9bn) being wagered in the UK, according to an H2 Gambling Capital Study.

YouGov also found 12% of people they surveyed in Britain had bet on the tournament, with 30% of those using the most popular operator, SkyBet. A total of 24% used Bet365, 18% used Betfair, 17% used William Hill, and 16% used Ladbrokes. Amazingly, 14% also took part in a World Cup sweepstake, either at work or with friends and family.

Other European countries also felt the effect of the World Cup. Italy, which didn't even qualify for the tournament for the first time in 60 years, saw a record breaking €466m (\$544m) wagered, according to Italy's Agency of Customs and Monopolies.

Trophy winners France saw its national regulator ARJEL report €1bn (\$1.16bn) in wagers recorded by 12 betting sites during the event. The final itself set a new single match bet record for the country's largest operator, Française des Jeux (FDJ), as it generated €32m.

Places further afield, and with far less of a historical interest in football, were also greatly impacted. Taiwan's sports lottery during June was up 73% to NT\$5.06bn (\$170m). Thailand saw the arrests of 4,700 people in Bangkok for illegal betting offences. China also saw increased gambling offences and arrests during the tournament, and even dismantled a \$1.5bn cryptocurrency betting ring. However, Russia's President, Vladimir Putin, waited until after the tournament to sign his new law aimed at tackling illegal gambling operations.

Regulated gambling operators and bet processing systems enjoyed successful tournaments. Supplier Scientific Games processed more than 177 million bets during the World Cup through its OpenBet platform. At its height of popularity for just a single bookmaker, the platform was processing 18,000 wagers a minute.

This perfect storm of unpredictability and unparalleled interest in the tournament has been reflected in the growth various operators experienced in their financial results released since the World Cup.

Betsson AB was one of the first operators to attribute its growth of 12% during the first half of 2018 to the World Cup. GVC claimed the tournament helped it report growth of 22% year-on-year during the second quarter. Australian operator Tabcorp stated the World Cup helped it boost its active customers by 8% to nearly 720,000.

Operator Paddy Power Betfair credited its 13% year-on-year rise for Q2 to the event. The tournament also saw supplier Kambi hit record turnover of €307m in Q2.

DRAFTKINGS OFFICIALLY LAUNCHES IN NEW JERSEY

DraftKings has made history by becoming the first operator to launch an online sports betting service in the state of New Jersey. The achievement was credited by the company to almost a "year of intense preparation" and occurred just months after filing for a sports betting licence with the New Jersey Division of Gaming Enforcement.

New Jersey legalised sports betting on 11 June, and online wagering became legal a month later, but operators have been keen to ensure their products work effectively before going to market. The latest launch was preceded by a five-day 'soft launch', which has clearly proven to be successful.

In what is being dubbed as a 'new era' for the company, DraftKings is working in partnership with Resorts Hotel and Casino in Atlantic City, as one of its

three skins permitted under state law, along with SBTech and The Stars Group-owned BetStars.

"I am excited to begin this new chapter in our story by officially launching what I believe to be the most innovative, mobile sports betting product in the US," said Jason Robins, CEO and Co-founder of DraftKings.

"We have put immense thought and significant resources behind the development of DraftKings' Sportsbook and I'm confident that sports fans in New Jersey will enjoy using it to make the experience of watching the games even more interesting and thrilling."

It is expected other casino operators that have pre-existing sportsbooks will be looking into providing online sports betting, as they look to gain a share of the new expanding market.

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Number of casinos Eldorado Resorts now
operates following the completion of
the Grand Victoria acquisition for \$327.5m

15% to 17%

The estimated
increase in Macau's
gross gaming
revenue for August




\$2.2BN

Value of the casino project from Crown
Resorts obstructing the view of Sydney
Opera House, so Crown Resorts filed a
lawsuit to stop the government approving
construction

PADDY POWER BETFAIR BOOSTS PROFIT IN H1

Paddy Power Betfair reported a 4% year-on-year increase in profit before tax to £106m (\$136.8m) for the first half of 2018, along with a 5% increase in total revenue to £867m.

Reported revenue remained flat during Q1, but the build-up to and start of the FIFA World Cup helped revenue increase by 13% in Q2.

Q2 online revenue also saw a 13% increase, alongside a 12% increase in sports and 14% increase in gaming.

Revenue from Australia was up by 19% and the US was up by 20%. Retail operations also saw a 6% increase.

In terms of EBITDA, Paddy Power Betfair predicts that for the full year it is "now expected to be between £460m and £480m, reflecting recent trading momentum, the introduction of additional taxes in Australia and the inclusion of losses from the FanDuel daily fantasy sports business."

Earnings per share have increased by 1% and dividends per share grew by 3% to 67p.

The recent deal with FanDuel in the

US has also allowed Paddy Power Betfair to establish itself as a prominent force in the US sports betting market.

Paddy Power Betfair also predicted that the changes to stakes on fixed-odds betting terminals in the UK could limit its total machine gaming revenue by 33% to 43%. The UK is also making changes to remote gaming duty and based on Paddy Power Betfair's H1 earnings, this could result in additional payments of £2.5m.

Analysts Numis said in a note: "We think PPB is well positioned for the opportunities in the US following its deals with FanDuel and Boyd but remain cautious on our US valuation (£7/share) given uncertainty over timing and magnitude of earnings. PPB has fallen 9% ytd."

In a separate note, investment banking firm Goodbody said: "The key stand-out is the better performance at PaddyPower.com, while Australia and the US remain in very good shape. The exchange performance is slightly weaker than anticipated but growth elsewhere in online is more than offsetting this."



THIS WEEK'S WINNERS AND LOSERS

WINNERS

Unibet - Unibet has partnered with the World Chess Championship and will sponsor the event until 2023

Delaware casinos - Three Delaware casinos are reported to have taken over \$8m altogether in sports wagers in a single month; Delaware Park, Dover Downs and Harrington Raceway

New York - A state gaming official has said state regulators are considering the idea of paying professional sports leagues for sports betting

Alabama - Could legalise sports betting as State Rep. Paul Lee has forecast that state legislature is likely to consider the bill in the 2019 session

Landing international - The \$1.5bn integrated resort could be cancelled by Philippines President Rodrigo Duterte

LOSERS

THE WEEK IN QUOTES

"The American Gaming Association and its members are committed to fostering a gaming environment that focuses on education, wellbeing and responsibility"

Sara Slane, the AGA's SVP of Public Affairs, after it updated its Code of Conduct for Responsible Gambling

"We are immensely proud to partner with what we regard as the biggest sports club in the world. Engaging in such a high-profile partnership so soon after our inception truly puts our exciting new brand on the map. As we embark on the first steps of our journey, it is our ambition to create the kind of successful dynasty Manchester United is renowned for."

MoPlay CEO, Juergen Reutter, discussing its new global partnership with Manchester United

"In the US, we have moved quickly following the repeal of PASPA as we grow into newly regulating states. We will continue to invest in the US to ensure we are well placed to capture the substantial potential available to us."

Philip Bowcock, CEO of William Hill, on its expansion in the US

GALAXY AND GENTING SINGAPORE IMPROVE NET PROFIT

Casino operator Galaxy Entertainment Group (GEG) reported a 56% year-on-year increase in net profit for the first half of this year, to HK\$7.2bn (US\$920m).

Adjusted EBITDA for H1 saw an increase of 34% to HK\$8.6bn, with net revenue also rising to HK\$28.1bn, up 25%.

Q2 net revenue was HK\$13.9bn, an increase of 22%, while group adjusted EBITDA was HK\$4.3bn, up 32%.

Total first-half VIP gross gaming revenue (GGR) was HK\$19.6bn, up 41%. Total electronic gross gaming revenue for the half was HK\$1.2bn, up 13%.

Galaxy Macau took the largest share of revenue for the second quarter, up 25% to HK\$19.8bn, with an adjusted EBITDA of HK\$6.5bn, up 28%, marking the casino's tenth consecutive quarter of year-on-year EBITDA growth.

Dr. Lui Che Woo, Chairman of GEG, said: "Today I am pleased to report the second quarter and half year results of the group in 2018. During the period Macau continued to perform and the group focused on operational execution."

Galaxy claims its EBITDA for Q2 was negatively affected by an increased win rate at Galaxy Macau, saying it "played unlucky." GGR was also affected late in the quarter by the FIFA World Cup.

SMALLER INCREASE FOR GENTING

Meanwhile, casino operator Genting Singapore saw a 3% year-on-year increase in net profit for the second quarter of 2018, reporting S\$177.6m (US\$129.9m).

Although the company made a profit in Q2, there was a 6% decrease in revenue, with Genting reporting S\$560.3m.

There was an 8% decrease in gaming revenue, which brought in S\$406m, while non-gaming revenue saw a 1% increase to S\$153.5m. The decrease in gaming revenue can be attributed to "luck."

The Genting report read: "In the gaming segment, our VIP rolling volume showed encouraging year-on-year growth but the luck factor was not in our favour."

Genting said it continued to extend more credit to VIP players during Q2, which accounts for the revenue decrease.

The company also reported a 2% increase in EBITDA to S\$280.7m.

Earnings per share have also seen an increase of 24% with the basic earnings per share now at S\$1.47.

Meanwhile, Tjong Yik Min has been appointed as the Lead Independent Director, in place of Koh Seow Chaun.

Tjong Yik Min has also been appointed as a member of the Nominating Committee.

SCIENTIFIC GAMES ORDERED TO PAY \$300M+

Supplier Scientific Games has been ordered to pay \$315m to a group of rival companies after losing a US antitrust case.

A Chicago jury ruled Scientific Games owes damages of \$105m, but this fee was automatically tripled under US antitrust law.

The Las Vegas-based supplier is deemed to have initiated a frivolous patent lawsuit to help it control the market for automatic card-shufflers at casinos.

In 2012, Shuffle Tech, Aces Up Gaming and Poydras-Talrick Holdings joined forces to compete in the automatic card-shuffler market. However, a lawsuit was filed alleging Shuffle Tech had used Scientific Games' patented technology unauthorised.

In response, the rival firms argued that the US Patent and Trademark Office had been misled by overly broad and invalid patents, culminating in this week's verdict, after the jury trial on

the case began on 16 July.

Scientific Games denied the accusation of misleading the patent office or that the lawsuit against Shuffle Tech was frivolous.

Scientific Games spokeswoman Susan Cartwright said in a statement: "The company believes the jury reached the wrong result and will seek review of both the finding of liability and the damages award both before the trial court and if necessary on appeal."

Despite the ruling, Scientific Games' share price had not been strongly affected at the time of writing, dropping from 34.85c at the previous day's close to 34.70c.

Scientific Games has recently been involved in the implementation of sports betting in the US and recently signed a partnership with operator Caesars Entertainment, covering New Jersey and Mississippi.

MD, OH RISE

Ohio gaming revenues rose for the 19th straight month in July. Results were led by double-digit growth at Churchill Downs and Delaware North's Miami Valley Gaming.

Cleveland was the only market to not grow revenues during the month, and when factored out, Ohio would have been up 4.15%.

PROPERTY	REVENUE (\$M)	CHANGE (%)
Miami Valley Gaming (CHDN/Del North)	14.112	+13.65
Scioto Downs (ERI)	15.229	+6.86
Thistledown (JACK)	10.646	+5.42
Hollywood Mahoning Valley (PENN)	10.249	+4.74
Hollywood Dayton (PENN)	8.627	+3.67
Hollywood Columbus (PENN)	19.360	+3.66
Belterra Park (PNK)	7.581	+2.65
JACK Cincinnati (JACK)	17.143	+2.59
Hard Rock Rocksino	22.461	+0.86
Hollywood Toledo (PENN)	17.192	-2.26
JACK Cleveland (JACK)	15.977	-5.40
State total	158.575	+2.71

In Maryland, gaming revenues rose 5.58% in July, a month with eight Fridays and Saturdays this year versus nine last year.

MGM National Harbor and Cordish Cos. Live continued to show the strength of the Baltimore/Washington metro area, as both properties were up for the sixth consecutive month.

However, Live's growth slowed in July after rising double digits in June and May.

Results were led by Churchill Downs and Saratoga Gaming's jointly owned Ocean Downs, which began operating 10 table games and added 100 slots in December.

PROPERTY	REVENUE (\$M)	CHANGE (%)
Ocean Downs (CHDN/Saratoga)	8.656	+34.01
National Harbor (MGM)	58.345	+14.92
Live! (Cordish)	47.726	+1.88
Rocky Gap (GDEN)	5.161	+1.52
Hollywood Casino (GLPI)	6.163	-6.66
Horseshoe Baltimore (CZR)	20.447	-11.07
State total	146.498	+5.58
State same store	145.602	+4.93

US STOCK UPDATE

The following four US stocks hit 52-week closing highs as of the close on Wednesday.

Scientific Games	\$33.40
Dover Downs	\$3.18

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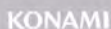


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GUEST COLUMNIST



DMITRY STAROSTENKOV
CEO, EVENBET GAMING

Starostenkov knows a thing or two about reinventing a wavering vertical. Here he talks about the challenges facing two verticals making a comeback; poker and daily fantasy sports

If you've listened to some jaded hacks in the gaming industry over the past few years, you have likely heard various takes on the demise of verticals like poker and daily fantasy sports (DFS). After all, despite dazzling debuts on the online gaming stage, poker and DFS have both slipped alarmingly from their zeniths, appearing somewhat bereft of ideas.

However, inspiration seldom advises starting from scratch. Indeed, I'd argue that it's often preferable to renovate rather than innovate from new beginnings. Let's not forget that all humanity's greatest achievements have been built on the shoulders of what went before, and mistakes usually went before. Never, it seems, have we got it right the first time out.

At EvenBet, we're committed to this creativity when it comes to reinvigorating poker and DFS, two products whose conditions have simply been misdiagnosed. After all, which diagnosis was more likely; that two large and passionate fanbases had suddenly walked off the map, or that the products themselves were no longer serving their respective fanbases as best they could?

Our research recommended servicing the changing tastes of customers, not to mention the wider evolution of the marketplace informing those tastes. While players' enthusiasm remains strong for both poker and DFS, the games struggled when the pros began to take advantage of recreational players within an overly-analytical game-structure which rewarded the enlightened few and sapped your average user's balance. It's worth remembering that we're in the entertainment business here. And when it stops being fun, people generally stop or go elsewhere. So the challenge for DFS and poker was never to scrap the system, but to refine it.

Very few gambling activities are as intrinsically social as these verticals. Poker's old-school entertainment also adds an immersive experience which drives retention through genuine engagement and offers up new levels of value for the end user. To which end, our world-class poker solution has been reshaping the vertical over the past 12 months, with its flexible integration and multi-game format providing a deeper dive for player-engagement, enhancing the cross-sell purposes for operators globally.

Over in Asia, our new mobile Poker Clubs app has been capitalising on the rising mobile gaming trend in many Asian markets, allowing club managers to host and run private poker communities with their own tournaments and tables for the first

time. Poker clubs used to be a closed community in China, where all members were invited by owners, and user balances were handled manually. This is no longer the case. We've monitored the growing demand for quality real-money poker solutions - especially in newly regulating markets where legal issues can prove an impediment to harnessing a huge base of keen poker players - and can now satisfy this demand with our flexible platform.

However, the biggest breakthrough on the poker circuit in recent months has to be our NoLimitCoin launch, fronted by two-time WSOP champion Johnny Chan, which provides an industry-first in its no-rake offering. The emerging crypto market also means that a lot of its capital is disproportionately in the hands of the younger, tech-savvy customers that online gaming operators have thus far struggled to engage. Accordingly, it's a major opportunity for poker to reach a whole new audience.

Stateside, the recent milestone of the repeal of the 1992 Professional and Amateur Sports Protection Act has seen sports betting open up across the US, with around 11 states already keen to action the opportunity. To be clear, if we discount the easy-win likes of New Jersey and Delaware, such state-by-state legislation in the US will likely roll out at a snail's pace. Indeed, despite a couple of early pace-setters, most states will take years to debate, green-light and instigate the new sports betting infrastructures.

All of which gives DFS time. In reality, it will remain the most accessible game in town for nearly 40 states for at least another few years. So, turn the dials of tech innovation and product differentiation in the right direction for deeper and delineated player engagement, and a long and successful future for DFS lies in store, both in the US and worldwide.

Although football remains the leading DFS sport, we've found that our cricket offering is on the rise too - above all in emerging markets like India. We're also looking at golf, which has enjoyed an 80% surge in the number of contests created over the past year. In fact, as stats-contingent sports go, cricket and golf each have the potential to replicate the success of NFL DFS in the States. Poker, currently permitted in only four states, can ride on these PASPA coattails too, as a skill game which is likely to be favoured for its format by cautious US legislators.

Of course, when it comes to the bottom line, casino and sportsbook are larger product verticals. Yet both can benefit from the intelligent deployment of smaller verticals, DFS and poker included, when it comes to creating a full-stack offering that can acquire, engage and retain a customer, driving down CPAs and reducing churn.

So poker and DFS still have massive potential to leverage their innate popularity. There's no longer any reason to think of them as one-hit wonders. Instead, watch out for the comeback kids!

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