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THIS WEEK

- **UK government denies FOBT decrease delay**
- **Stars Group annual revenue rises**
- **Macau casinos hit by Typhoon Mangkhut**
- **NetEnt makes a play for Pennsylvania**

GUEST COLUMNIST:

**Krasimir Kostov, CCO,
UltraPlay**

WEEK 38

FRIDAY 21 SEP 2018

GLOBAL GAMING AWARDS LAS VEGAS 2018 SHORTLIST REVEALED



This year's Global Gaming Awards (GGA) Las Vegas Shortlist is now available and ready to view, as the industry's most powerful companies compete for the most prestigious Awards in gaming.

Being nominated for an Award is a momentous achievement for any company in the industry, and the Awards celebrate and reward operational excellence over the past 12 months.

All 12 Awards categories and their 10 nominees were chosen after a rigorous selection process, and can now all be viewed in the Global Gaming Awards Las Vegas Shortlist magazine.

Following a period of self-nomination, the Shortlist was finalised by an eight-strong expert nomination panel. The Shortlist is thoughtfully designed and selected to recognise and reward members of the gaming industry across all verticals that have stood out from the crowd over the past year.

After the nominees submitted supporting statements outlining why they should be confirmed as winners at this year's Awards, the eventual winners will be decided by the Judging Panel, consisting of a team of 70 industry experts and executives.

This is the largest Judging Panel in the history of the Awards and is the most powerful and significant line-up of judges to have ever voted for a gaming industry awards ceremony. They now have the difficult task of deciding on first and second place in each category. If the total votes for first place are ►

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THIS WEEK IN NUMBERS

\$261bn



The amount of money the gaming industry contributed to the US economy in 2017, according to an AGA study

\$2.50



The price per share Maverick will pay to acquire the outstanding shares of Nevada Gold & Casinos under the terms of their definitive merger agreement

16

The number of regulators that signed an open letter committing to protect and prevent underage gambling, which they see being exacerbated by video games



The number of casino properties owned by Boyd gaming following the completed acquisition of Valley Forge Casino Resort in Pennsylvania

\$275M

The value of MGM Resorts' deal to purchase Hard Rock Northfield Park from MGM Growth Properties



ted in any category, then the nominee with the most second-place votes will take home the prize.

Having won two Awards at last year's event, IGT has once again made it into several categories, while MGM Resorts has also made a return as it looks to claim the title of Customer Loyalty Program of the Year for the fifth year in a row.

Among the other winners last year was NYX Gaming Group in the Digital Industry Supplier of the Year category. There will be much excitement as to which company will scoop the Award this year, as it has been won by four separate suppliers in the four previous Global Gaming Awards Las Vegas ceremonies.

Bet365 will be hoping to secure the accolade of Digital Operator of the Year for the third time in four years, as it looks to defend its title.

Sportradar, last year's winner of the Responsible Business of the Year Award, is also in with a chance of retaining its prize this year.

To reflect the evolving dynamics of the industry, this year's Awards features four new categories; American Executive of the Year, Property of the Year, Slot of the Year and Product Innovation of the Year.

The Palms Casino Resort's \$600m renovation will also make for tough competition in the Property of the Year category. Betgenius was last year's champion in the Digital Gaming Innovation of the Year for its eSports trading platform, and has been nominated in the Product Innovation of the Year category for its BetBuilder product this year.

KPMG Isle of Man is responsible for the adjudication process of the Awards. KPMG's presence ensures the Awards maintain their integrity and value.

A detailed breakdown of all nominees in all 12 categories will appear in the Global Gaming Awards Las Vegas 2018 Shortlist magazine, which will be distributed at G2E.

The Global Gaming Awards are powered by *Gambling Insider* in association with G2E, and the lead sponsor is BetConstruct.

The winners of this year's Global Gaming Awards Las Vegas will be announced at a luncheon ceremony on 8 October at the Sands Expo Convention Center in Las Vegas, which will be held during the G2E show.

UK GOVERNMENT SPEAKS OUT ON FOBT DELAYS

Fixed-odds betting terminal (FOBT) restrictions were brought back into the spotlight following a recent report from the Centre for Economic and Business Research (Cebr).

With gambling regulation a prominent topic within the UK this year, the Treasury were prompted into action once more by findings released by Cebr on Monday.

Its report indicated the government could lose out on over £100 million for every year its new FOBT restrictions are not implemented.

The research indicated that bookmakers will profit by between £348m and £540m a year from FOBT revenue while the supposed delay is ongoing.

In May, the decision was taken to reduce the maximum FOBT stake from £100 to £2 to lower the risk of "gambling-related harm."

However, reports in June said that the policy could be delayed until 2020, due to concerns the Treasury would lose money in Machine Games Duty.

Cebr's report has suggested any

such delay would see the Treasury miss out on between £98m and £132m a year, primarily from increased taxing of online operators and tax revenue generated by substitute products.

At the same time, the research indicated that bookmakers will profit by between £348m and £540m a year from FOBT revenue while the supposed delay is ongoing.

But the Treasury said there will be no delay and Remote Gaming Duty will indeed be raised. Speaking to *Gambling Insider*, the Treasury confirmed the need to change the rules surrounding FOBTs but also cover any "negative impact" on public finances.

A Treasury spokesperson said: "There is no delay to the policy. We are changing the rules, so they balance the needs of vulnerable people, those who gamble responsibly, and people who work in this sector.

"But we must get this right, and are engaging with the industry, to ensure it has sufficient time to implement these technological changes."



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SIGMA iGaming
Malta

108

The number of race and sportsbooks in Nevada currently operated by William Hill US

\$90m

The amount invested by Gateway Casinos & Entertainment into the Edmonton economy in Canada, creating over 550 new jobs



£74 bn

The revenue anticipated to be generated through the global online gambling market by 2023

THE STARS GROUP REPORTS HUGE RISE IN SBG REVENUE AND OPERATING PROFIT

Sky Betting and Gaming (SBG) saw its revenue increase by 30% to £670.4m for the financial year ending 30 June.

In an acquisition report filed by The Stars Group, which completed its takeover of SBG in July, it was announced that betting revenue increased by 37% to £406.5m, while gaming revenue grew 19% to £239.2m.

Adjusted EBITDA for the year rose 43% to £208.6m, while SBG generated £33m worth of revenue from the Fifa World Cup alone.

Subsequently, SBG was able to report a £500.1m gross profit, an increase of 33%, and an operating profit of £86.7m, a 26% rise.

Rafi Ashkenazi, The Stars Group CEO, said: "2018 is a transformative year for the business, with three acquisitions and related financings and other significant changes to our corporate and capital structure.

"We've executed on these transactions and looking forward

into 2019, are now focused on integration and we are confident that we will deliver on our plans to grow market share both globally and in key markets.

"SBG is a key component of this plan and we are excited about its potential as the fastest growing and one of the largest online and mobile sports betting and gaming businesses in the UK, the world's largest regulated online gaming market."

Richard Flint, SBG CEO, also commented on the positive results, emphasising the impact of the company's investment and innovation.

Flint said: "We enjoyed another year of growth, extending our leadership as the UK's most popular online betting and gaming brand. We also continued our investment in brand, technology and people, and continued delivering innovative products that meet the needs of our customers, all of which we believe combined to drive strong operating results."

THIS WEEK'S WINNERS AND LOSERS

WINNERS

Washington D.C – Council member **Jack Evans plans to introduce a bill to legalise sports betting in the city**

William Hill US – **secured the first-ever NHL sportsbook operator sponsorship deal with the Golden Knights**

Perform Group – **announced it will be rebranded as DAZN Group**

Wynn Resorts – **has been hit with a lawsuit in Massachusetts regarding its lack of “honest competition” for licenses**

Kenya's President Uhuru Kenyatta – **suggested a 15% tax on all winnings in a memorandum to parliament**

LOSERS

THE WEEK IN QUOTES

“By way of outlook on 2019, the recent launch of internet sports betting, the company's current sales pipeline and existing contracted clients are projected to propel GAN to record revenues, revenue growth, and EBITDA.”

GAN discussing the company's future potential in its latest trading statement and notice of results

“We encourage video games companies to work with their gambling regulators and take action now to address those concerns to make sure that consumers, and particularly children, are protected. We want parents to be aware of the risks and to talk to their children about how to stay safe online. For example, unlicensed websites offering skins betting can pop up at any time and children could be gambling with money intended for computer game products”

Neil McArthur, Chief Executive of the Gambling Commission, discussing the growing concern over lootboxes and skin betting

“I do feel it's a very stagnant industry. The first sportsbook went online in 1999 and, barring branding changes, if you looked at it then and look at it now, you're not going to see a huge amount of difference.

Robbie Morris, Two-Up Digital CEO, on the lack of innovation within online sportbooks

MACAU CASINO OPERATIONS TEMPORARILY HALTED BY TYPHOON

Macau-based casinos have seen their revenues and share values take a hit following damages and closures to business operations caused by the impact of Typhoon Mangkhut last weekend.

The storm had already caused massive amounts of destruction in the nearby Philippines and later forced the Chinese government to evacuate over three million people who were deemed at risk in parts of southern China.

Precautions were therefore taken in Macau in order to help reduce the predicted damage as well as protect people prior to the typhoon's impact. One such measure required all casino operations on the island to shut their doors and cease operations. The decision has been widely supported by many locals and casino staff, despite its impact on casino operations.

However, fears have risen as a result, with many investors and analysts wary of the typhoon's economic impact on Macau. The unprecedented 33-hour halt to operations for casinos on the

island resulted in Macau casino stocks falling at the start of trading in Hong Kong on Monday morning, with the Bloomberg Intelligence index for Macau casinos showing a decline of 2.1%.

Many analysts have already begun to half their revenue growth expectations for the gambling hub for the month of September, as an estimated \$186m in revenue was lost during the 33-hour operational halt alone.

Macau has not seen its casinos forced to close their doors before, with Typhoon Mangkhut causing the first halt in gambling operations since foreign operator licenses were awarded on the island during 2002.

Typhoon Mangkhut also added to investor concerns currently facing Macau, such as the impact of the US and China's trade war on VIP gamblers visiting the island.

Last year, tropical storm Hato brought similar disruption to Macau. Hato claimed eight lives in Macau and caused power outages, flooding and a delay to MGM Cotai's opening.

NETENT APPLIES FOR PENNSYLVANIA ONLINE CASINO LICENCE

Swedish gaming supplier NetEnt has announced it has applied for a licence from the Pennsylvania Gaming Control Board (PGCB).

Online casino gambling was legalised in Pennsylvania after a bill was passed in October 2017. Officially named the Commonwealth state, the region is home to over 13 million people, making it the second-largest US state to regulate online casinos.

If NetEnt's licence application is approved, the company will be able to supply online casino operations with games from its table and slots portfolio in one of the US' most promising gaming markets.

Erik Nyman, Managing Director NetEnt Americas LLC, the US subsidiary of NetEnt, said: “We are excited to continue our strategic expansion in the US. We have enjoyed success in New Jersey and believe that this will continue in Pennsylvania.

“We will launch with a mix of our

table games, video slots, jackpot games and unique features like free spins that have been greatly appreciated by our customers and their players. Our ambition is to be live in Pennsylvania as soon as the market opens.”

NetEnt has not only been expanding in the US, though. Within the past few weeks, the company has gone live with Norsk Tipping, the Norwegian state lottery, through an agreement with IGT. More recently, the company expanded into a new vertical through the beta-launch of its own affiliate business.

Therese Hillman, CEO of NetEnt, added: “We know that we create entertaining slot games and our brands have a strong position on the market with a lot of fans and dedicated players. Through our affiliate site we'll be able to supply operators with traffic and provide Netent fans with great content and offers when they play our games.”

PA SLOT, FANTASY REVENUE UP

Pennsylvania ended August with revenues up 2.82%, driven by a spike in slot revenue benefitting from nine Saturdays and Sundays this year vs. eight last year.

Below are the total revenues and a breakdown by slot and table by market and property:

PROPERTY/MARKET	REVENUE MILLION	% CHANGE
Philadelphia		
Parx (Greenwood)	\$52.173	+8.51
SugarHouse (Rush Street)	\$24.653	+6.86
Valley Forge Casino Resort	\$10.684	+6.93
Harrah's (CZR)	\$21.226	+1.72
Philadelphia total	\$108.735	+6.59
Northeast PA		
Mt. Airy	\$17.752	+2.39
Sands Bethlehem (LVS)	\$44.438	-1.43
Mohegan Sun	\$19.541	-5.54
Northeast PA total	\$81.732	-1.66
Pittsburgh		
Rivers (Rush Street)	\$29.976	+8.16
The Meadows (PNK)	\$20.284	-4.91
Pittsburgh total	\$50.261	+2.48

PROPERTY/MARKET	REVENUE MILLION	% CHANGE
Elsewhere		
Hollywood (PENN)	\$20.044	+6.28
Presque Isle (ERI)	\$11.460	-0.68
Lady Luck Nemacolin (ERI)	\$2.780	-4.19
State total	\$275.011	+2.82
Multiple properties		
Rush Street	\$54.629	+7.57
Eldorado Resorts	\$14.240	-1.39

SLOT REVENUE		
Valley Forge Casino Resort	\$7.625	+13.94
Parx (Greenwood)	\$34.788	+8.57
Mt. Airy	\$14.038	+6.32
Rivers (Rush Street)	\$23.578	+6.29
The Meadows (PNK)	\$18.847	+5.58
Hollywood (PENN)	\$17.114	+4.68
SugarHouse (Rush Street)	\$14.568	+3.93
Sands Bethlehem (LVS)	\$25.753	+2.48
Harrah's (CZR)	\$16.217	+1.42
Presque Isle (ERI)	\$10.292	+0.65
Mohegan Sun	\$16.431	-3.39
Lady Luck Nemacolin (ERI)	\$2.479	-0.84
SLOT TOTAL	\$201.729	+4.42



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LAND-BASED OPERATOR

Industry stalwarts MGM Resorts, Las Vegas Sands and Hard Rock International are joined by new entrants Churchill Downs Racetrack and William Hill US

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DIGITAL OPERATOR

Bet365 is in with a chance of winning the Award for the third time in four years, while 2016 winner 888 Holdings is also on the list of nominees, along with successful US operators NYRA Bets and Play Sugar House

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LAND-BASED PRODUCT

IGT was last year's winner for its Cardless Connect product, and the supplier is back this year with its PlayShot sports betting solution. NOVOMATIC's Otium OT300 cabinet and SG Gaming's 88 Fortunes cabinet are also on the list

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DIGITAL PRODUCT

Following Scientific Games' acquisition of NYX Gaming Group earlier this year, SG Digital has joined the list with its OpenBet sports betting platform. SBTech and Kambi Group have also been nominated for their sportsbooks, while NetEnt's Live Beyond Live product appears on the shortlist

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CUSTOMER LOYALTY PROGRAM

MGM Resorts is in the running to win the Award for the fifth consecutive year for its M life Rewards program. MGM will face stiff competition from Caesars Entertainment's Total Rewards and Wynn Resorts' Wynn Red Card among the other programs on the list

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LAND-BASED INDUSTRY SUPPLIER

Scientific Games was victorious in this category last year, and it is in with a chance of winning the Award again. Aristocrat, IGT and NOVOMATIC will be among the other contenders

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DIGITAL INDUSTRY SUPPLIER

This Award is one of the least predictable, as it has been won by four different companies in the last four years. Previous winners NetEnt and Playtech are nominated this year

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PRODUCT INNOVATION

The Award is making its debut at this year's ceremony, and the shortlist includes last year's Digital Gaming Innovation of the Year winner Betgenius, which has been nominated for its BetBuilder product. IGT's Virtual Zone and Play'n GO's OMNY have also made the list

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RESPONSIBLE BUSINESS

Last year's winner Sportradar is back again, but competition will be provided by returning nominees such as BMM Testlabs, Caesars Entertainment and GeoComply

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SLOT

Another new category in this year's Awards will see the likes of Aristocrat's Game of Thrones, Greentube's From Dusk Till Dawn and NetEnt's MAX compete for the prize of the best slot game in the industry

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PROPERTY

Operators will compete for the very first Property of the Year Award, and there is a strong tribal presence, with Foxwoods Resort Casino and Mohegan Sun Casino making the list. There is a truly global feel to the category, as Argentina's Casino de Tigre and Studio City, Macau are nominated

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AMERICAN EXECUTIVE

The last of this year's new categories will showcase some of the industry's most successful executives, including SG Digital's Matt Davey, BetConstruct's Vigen Badalyan and IGT's Renato Ascoli

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GUEST COLUMNIST

KRASIMIR KOSTOV
CCO, ULTRAPLAY

Kostov believes sports betting operators are not effectively utilising the opportunities presented by esports, and explains how the market needs to adapt to the vertical

Esports is the fastest-growing industry that is engaging millennials like never before. It has a highly-developed ecosystem of organisations and players, game developers, hardware providers, media professionals and marketers. Viewership and prize pools are way above expectations. This industry has been growing for the past 15 years, recording a tremendous boost in the last four years. The gaming industry is some way behind and needs to step up to engage with this totally new audience and take advantage of this opportunity.

Because of our extensive involvement in esports in recent years, we managed to gather valuable insights in esports trading and odds provision. Managing the leading esports betting websites, we found out the following important distinctions between esports betting and regular sports betting. Firstly, there is a completely new audience that needs to be examined further. The millennials are the primary entity in esports. This new audience requires a totally new approach to communication and engagement, but it is rare that we see cross-sale between esports and other sports.

“Millennials want the look and feel of esports and the classical sports betting view is not the way to go”

Data shows many sportsbooks fail to answer properly to esports fans' expectations, not only with coverage, but also with on-site features, promotions, etc. That can be one of the reasons why esports is not performing to its full potential on those websites. Design and engagement tools are vital. Millennials want the look and feel of esports

and the classical sports betting view is not the way to go. Secondly, risk management and trading is key for a successful esports betting product. Esports is very different than regular sports. In esports, there are changes in the game rules and mechanics every few months. This requires a deep understanding from the traders about the ins and outs of the game to stay on top.

Even though the environment and players are new, we still see attempts for abuse. You should know the players and behaviours so that you don't reward abusive behaviour which is obtained from years of examining the games and working closely in the sector. Last but not least, wide coverage is a must. Even though the top three esports titles (CS:GO, Dota 2 and League of Legends) are responsible for more than 60% of the betting volume, extensive coverage is vital, as it is the initial impression of the potential bettor. With UltraPlay's coverage of more than 25 titles as well as 3000+ events a month and 1500+ live events monthly, it's easy to attract a broader esports audience to the betting brands. When enough game titles and live markets are present, volumes are high. For example, to start covering the hit titles like NBA 2K or Fortnite, you have to be well prepared and competent on the game specifics and the betting combined.

Very much like in regular sports, live betting is responsible for more than 60% of the overall volume. Thus, players seek most of that thrilling part of betting every day. They go to the brands with the widest live-betting offerings and fastest functionalities so that they can have maximum enjoyment from in-play betting. With UltraPlay's dedication on enhancing the live betting model year after year, the brands using our products are definitely esports bettors' favourites.

Last but not least comes the synergy esports and crypto sectors are creating for the entire online gaming industry. The growth of Bitcoin gambling has added new dimensions to betting. Now, the number of bettors using Bitcoin and other cryptocurrencies is increasing exponentially.

UltraPlay is offering to its clients more than 50 cryptocurrencies players can choose to place bets with so that this whole ecosystem can grow and develop simultaneously. The trend shows that players are demanding more cutting-edge technology in betting, as well as feeling part of a community. The blockchain and cryptocurrencies offer a huge step forward for the gambling industry and will provide a level of trust never seen before.

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