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THIS WEEK

- **William Hill US sues FanDuel**
- **Analysts talk up Macau**
- **Adam Greenblatt to lead MGM/GVC JV**
- **NetEnt lands significant Sweden deal**
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GUEST COLUMNIST:

- **MICHAEL DARLEY,
CEO, NEXT GAMING**

WEEK 43

FRIDAY 26 OCT 2018

CAESARS TO REJECT FERTITTA OFFER



Caesars Entertainment is not interested in Golden Nugget owner Tilman Fertitta's merger offer.

A Reuters report suggested Fertitta was looking for a "reverse merger," where Caesars would be the majority party in a joint venture with his own gaming empire.

But the New York Post has reported the Caesars board is set to unanimously reject the deal this week. The publication quoted a source suggesting the offer is "certainly not attractive."

Sources said Caesars still has a \$9bn debt following its bankruptcy from more than a year ago, with Fertitta's net worth valued at \$4.5bn. Most of Caesars' debt was built up through its highly-leveraged takeover by private equity firms Apollo Capital and TPG 10 years ago, an agreement worth \$25bn. The deal was struck just as the recession began to exert an effect on the US casino market.

Currently, Caesars says its focus is to concentrate on growth, suggesting an unwillingness to entertain a merger which risks increasing its debt further.

Reports of Fertitta's offer sent Caesars' shares soaring, as they rose 18% over two days, leading it to close at \$10.20 on Friday last week and giving Caesars ▶

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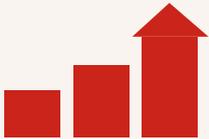
THIS WEEK IN NUMBERS

2019

Following the success of this year's Global Gaming Awards Las Vegas, the self-nomination process for the 2019 Global Gaming Awards London is now open



21%



Betsson's year-on-year increase in revenue to SEK1.4bn (\$150m) during Q3



Amount MLB annual revenue could rise by thanks to legalised sports betting, according to a study commissioned by the American Gaming Association

\$5.5m

September's overall sports betting revenue for the state of Mississippi



Evolution Gaming's year-on-year growth in operating revenue to €64.3m (\$73.3m) in Q3

a market cap of \$6.8bn. Sources close to Caesars told the New York Post the offer may have been leaked by Hedge Funds Canyon Partners, which owns a 10% stake in Caesars, and HG Vora Capital, which owns 4.9%.

Following the publication of the Post's article, Caesars' share price dropped. News of the planned rejection of Fertitta's deal caused a decline of 6.9% through the day's trading session on Monday.

Further issues with the potential agreement have been discussed and include the likelihood that, once combined, the company would need to sell assets to please the Federal Trade Agreement – as regional crossovers would raise competition concerns.

Meanwhile, Caesars, which also owns the Harrah's and Bally's casinos and the Planet Hollywood chain, remains keen on purchasing Jack Entertainment in a deal worth more than \$1bn.

Jack Entertainment owns six casinos across Cleveland, Cincinnati and Detroit. As part of the proposed deal, Caesars would buy the casino operations, while VICI Properties, Caesars' real-estate branch, would purchase the land.

It was noted a deal for Jack Entertainment could make a case for current executives to retain their positions. As a prime example, CEO Mark Frissora's contract is due to expire in February.

Operators of 49 casinos across North America, Europe and Africa, Caesars is looking to close ground on rivals MGM Resorts and Wynn Resorts with deals like the proposed offer for Jack Entertainment.

Last November, it bought Centaur Holdings, a private racing company, for \$1.7bn. Since the completion of the transaction, Centaur customers have added to the 55 million members in Caesars' Total Rewards loyalty scheme.

Caesars told *Gambling Insider* it would make no comment when contacted about the merger offer last week.

Fertitta's firm, Landry's, was built on success in the restaurant industry and made initial moves into the casino market in 2005 when it purchased Golden Nugget Casinos, including locations in Las Vegas and Laughlin, Nevada.

Since then, Landry's has opened casinos in New Jersey, Mississippi and Louisiana. Landry's also bought the Trump Marina from The Trump Organisation when the casino went bankrupt, calling it The Golden Nugget Atlantic City.

WILLIAM HILL US SUES FANDUEL

William Hill US is suing rival operator FanDuel for allegedly copying its "how to bet" guide for customers.

On Tuesday, William Hill US filed a copyright of infringement notice in a New Jersey District Court, claiming the replication of the guide was so obvious it even used similar examples of potential betting situations.

Joe Asher, CEO of William Hill US, said his organisation is not made up of litigious people, but insists this incident was "ridiculous."

William Hill US created its guide in June when it first offered sports betting at Monmouth Park Racetrack. The lawsuit claims FanDuel's version of the guide was distributed at Meadowlands Racetrack a month later.

The lawsuit alleges FanDuel copied diagrams, as well as text, and even had a William Hill logo present on one page, indicating the contents were copied and

pastored from a different document.

William Hill US is seeking a jury trial, where the extent of the damage would be determined.

Asher said: "If the court finds in favour, a portion of the proceeds will fund scholarships for creative writing programs at New Jersey universities."

FanDuel has faced a number of issues since its move from daily fantasy sports into sports betting. In its first month of operation, it claimed it could not pay bettors their winnings due to the late timing of events.

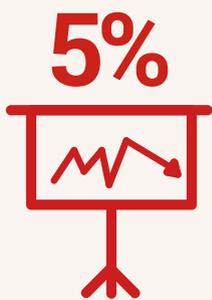
In another incident, the sportsbook agreed to pay a customer \$82,000 following an error in the odds given to players in the final moments of an NFL game between the Denver Broncos and the Oakland Raiders.

FanDuel Co-Founder Nigel Eccles filed a lawsuit against Paddy Power Betfair over its \$465m takeover of the operator in August.



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Rank Group's decline in year-on-year revenue for the 16-week period ending 14 October, excluding the performance of recent acquisition YoBingo

The year-on-year rise in sports brands net gaming revenue for GVC Holdings during Q3



The number of new sports betting apps that went live on the App Store in New Jersey last week

ANALYSTS ESTIMATE STRONG MACAU PERFORMANCE

Analysts have estimated high gross gaming revenue (GGR) figures for Macau casinos in October.

Last year, Macau's casino industry enjoyed its best calendar month in October, generating MOP26.63bn (\$3.29bn).

However, monthly GGR only grew 3% to MOP21.95bn this September, while the stock price of the country's top six casinos has fallen 40% on average since June.

Analysts have subsequently expressed concern that trade tensions and increased regulation are keeping VIP customers out of Macau's casinos.

A prime example of the increased regulation came earlier this month, when a fresh operation against money laundering in Macau casinos was launched and brought 12 arrests, with two of those arrested detained.

But new estimates suggest October's performance will at least match last year's, with the best projection suggesting a year-on-year growth between 1% and 5%.

Nomura Group's Instinet and Sanford C. Bernstein both issued notes predicting strong monthly GGR, although the latter warned of the "volatility surrounding VIP."

Meanwhile, Macau Secretary for Economy and Finance Lionel Leong Vai Tac does not believe other gaming industries within Southeast Asia will be in direct competition with the Macau market.

The minister, though, does admit Macau's government are monitoring the situation, following a rise of new casinos across neighbouring countries.

Leong also acknowledges the need for Macau's casinos to "continuously improve" to stay competitive.

Speaking to local reporters, Leong said: "Macau-based operators have to continuously improve their services in order to be more competitive.

"We are monitoring the situation. We have seen that some regions are trying to develop their own gaming sector but I do not think these would be in competition with the Macau market."

THE WEEK IN QUOTES

"This deal marks NetEnt's first customer signing for Pennsylvania and is an important step in our growth strategy in North America. Our entertaining online games will be much appreciated by players in Pennsylvania"

Erik Nyman, Managing Director NetEnt Americas, on the supplier's content deal with Penn National Gaming

"When you look at fantasy, daily fantasy and betting, people get three types of utility. One is the social interaction with friends, two is the enjoyment of looking at data and being analytical and three is the opportunity to make money."

Justin Park, CEO of RotoQL, discusses daily fantasy sports with Gambling Insider

"I'm thrilled to have joined Nektan in what is a busy time for the company. I'm looking forward to building on Nektan's recent success and further expanding our international reach."

Jaydeep Chakravartty, Nektan's new Vice President, Commercials, on his move from Ingenuity Gaming

THIS WEEK'S WINNERS AND LOSERS

WINNERS

New Mexico – The state has officially accepted its first ever sports wager, after the Santa Ana Star Casino and Hotel opened its sportsbook

BetConstruct – Received approval from the Maltese Gaming Authority (MGA) to add poker to its selection of games

NetEnt – Entered into an agreement to supply Finland's state-owned gaming operator Veikkaus

Novomatic – The supplier has been ordered to repay a gambler \$2.9m by an Austrian court

Affinity Gaming – Its bid with Z Capital Partners to acquire Full House Resorts was rejected in an open letter

LOSERS

MGM GVC JOINT VENTURE APPOINTS NEW CEO

MGM GVC Interactive, the joint venture between MGM Resorts and GVC Holdings, has appointed Adam Greenblatt as CEO.

The move is subject to licensing and regulatory approvals, following the joint venture's establishment in July.

Greenblatt previously served as Director Corporate Development & Strategy at GVC, having been in a similar role at Ladbrokes prior to its acquisition by the operator.

GVC CEO Kenny Alexander and MGM Resorts Chairman and CEO Jim Murren said in a joint statement: "We are pleased to appoint Adam as CEO of the joint venture, who will bring his in-depth knowledge and expertise in online gaming and sports betting from both sides of the Atlantic."

Greenblatt said: "With the combined brands, technology and market access of our two parent companies, I am determined to make it the most dynamic and successful player in the industry."

It has been a busy month for GVC, with the operator recently publishing

its interim report – which showed a 28% growth in net gaming revenue during Q3.

The operator experienced growth across all major territories and was helped by strong figures during the World Cup.

There was also a change in personnel at board level for the operator, as GVC announced the departure of Paul Bowtell. CFO for seven years, Bowtell will be replaced by Rob Wood.

Bowtell previously worked as CFO at Gala Coral and Ladbrokes Coral before GVC and now joins private equity firm, Alchemy Partners.

His successor has been with GVC for six years and is currently CFO of the Ladbrokes Coral UK Retail business, GVC's largest division.

Completing the list of GVC updates, MGM GVC Interactive recently partnered with the United Auburn Indian Community (UAIC) in California, with a view to launching sports betting operations in the state if it is regulated.

NETENT COMPLETES SVENSKA SPEL DEAL

NetEnt has entered into an agreement with state-run Swedish operator Svenska Spel.

The deal has been completed ahead of the re-regulation of Sweden's gaming market, which will see private operators awarded with licenses where suitable.

Fredrik Wastenson, Svenska Spel Sport & Casino MD and Head of Business Unit, said: "NetEnt was an obvious choice when selecting an online casino supplier ahead of our re-regulated market entry on 1 January 2019.

"We are convinced that NetEnt will deliver casino games of the highest quality and become a very important partner for us."

The commercial launch of NetEnt's games is expected at the beginning of 2019, in time for the launch of the re-regulated market.

Swedish Parliament, Riksdagen, approved the changes to gaming laws earlier this year on 7 June.

Henrik Fagerlund, MD NetEnt Malta and CPO of NetEnt, said: "I am very pleased that Svenska Spel has selected NetEnt as supplier ahead of the Swedish market re-regulation. Svenska Spel is the most established gambling operator and the largest sponsor of sports in Sweden.

"We really look forward to a close collaboration to deliver best-in-class digital casino games to Svenska Spel's customers."

Sweden's gaming industry has developed in a different way to Norway and Finland, who have taken steps to ensure the continuation of only permitting state-run operators.

For private companies to be allowed into Sweden's open market, they must first meet a series of conditions and then follow new rules.

In updated legislation, all players will be considered new, even if they used the platform when it was registered in another country.

LOUISIANA RISES

Louisiana gaming revenue grew 1.67% in September on an easy comparison as last year's results were hurt by the tail end of Hurricane Harvey.

Lake Charles, which was hit the hardest by the hurricane last year, was up 16.7% this year and was led by Golden Nugget, which enjoyed its second straight month of plus 20% growth.

Despite the easy comparison, the three casinos in Baton Rouge were hurt by the smoking ban that the city implemented in June.

Those three casinos – Pinnacle's L'Auberge, Gaming and Leisure Properties' Hollywood and Tropicana's Belle fell a combined 20.72%. Casinos outside Baton Rouge grew 4.02%.

MARKET/PROPERTY	REVENUE (M)	Y-O-Y(%) CHANGE
Lake Charles/Vinton		
Golden Nugget	\$27.873	+25.15
Delta Downs (BYD)	\$15.178	+19.74
L'Auberge (PNK)	\$24.475	+15.15
Isle of Capri (ERI)	\$7.965	-6.15
LC/Vinton Total	\$75.492	+16.70

New Orleans		
Boomtown (PNK)	\$9.881	+4.45
Fair Grounds (CHDN)	\$3.257	3.93
Harrah's (CZR)	\$23.418	-5.46
Treasure Chest (BYD)	\$8.590	-5.94
NOLA Total	\$45.146	-3.44

MARKET/PROPERTY	REVENUE (M)	Y-O-Y(%) CHANGE
Shreveport/Bossier City		
Margaritaville	\$14.286	+9.16
El Dorado (ERI)	\$9.747	+5.25
Horseshoe (CZR)	\$15.846	-1.38
Sam's Town (BYD)	\$5.980	-4.75
Louisiana Downs (CZR)	\$3.638	-6.15
Boomtown (PNK)	\$4.383	-10.66
Diamondjacks (Legends)	\$2.732	-11.48
SP/BC Total	\$56.611	+0.09

Baton Rouge/Central LA		
Evangeline Downs (BYD)	\$6.582	+1.96
L'Auberge (PNK)	\$11.548	-16.74
Hollywood (GLPI)	\$4.207	-21.26
Belle (TPCA)	\$2.800	-33.19
BR/C.LA TOTAL	\$25.137	-15.82

Elsewhere		
Amelia Belle (BYD)	\$3.560	+3.48
Routes, Truck Stops, OTBs	\$45.287	-1.10
State total	\$251.233	+1.67





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IGT PLAYDIGITAL AT G2E



IGT talks us through its PlayDigital area at this year's G2E

Marked with an independent check-in stand and vibrant sports betting imagery throughout, the sheer size of IGT PlayDigital's product offering left no questions about IGT's favourable position in the market, its commitment to the digital business, or its leadership in innovation.

IGT made it clear that its PlayDigital portfolio is truly a "one-stop shop" for all its customers' digital needs. The company's headline-stealing PlayShot suite of market-ready sportsbook solutions was undoubtedly the focal point of IGT's PlayDigital portfolio.

In just under four months, the IGT PlayShot platform was installed and now powers sports betting with multiple customers in multiple states across the US.

The versatile, market-proven platform has processed more than

\$700m in US sports wagers post-PASPA repeal. IGT highlighted how commercial casinos, tribal operators and lotteries can quickly roll-out IGT's PlayShot sports betting solution when they are ready to participate in the exciting US sports betting market.

The company also showcased its line-up of omni-channel betting tools created for the US market. The PlayShot platform and services feature a fully integrated line of betting tools, such as a market-redefining mobile app, options for online betting, multiple retail betting terminals, the versatile PlayShot QuickBet self-service kiosk and the new, attention-grabbing CrystalBetting Terminal. IGT's CrystalBetting Terminal, which made its world debut at the trade show, was one of the most talked about innovations from the G2E floor.

The slot machine-inspired terminal delivers a VIP betting experience, enabling players to watch their favorite

sporting events and place both pre-match and in-game wagers from a comfortable, semi-private terminal.

The company also demonstrated a wide range of content and capabilities from its PlayRGS and PlayCasino offerings. G2E attendees were invited to explore business-enhancing features from PlayRGS, such as easy-to-enter tournaments, dynamic leaderboards and detailed back-end analytics. IGT continues to draw upon its pedigree in land-based casinos and extend some of the company's most successful titles from land-based casinos, such as Wild Fury Jackpots and Wheel of Fortune® Hawaiian Getaway to its digital gaming library.

As IGT's G2E theme "Your Best Bet" reinforced, IGT PlayDigital offers an end-to-end solutions portfolio that enables its customers to capture the "anytime, anywhere" gaming and sports betting opportunities of today and the future.

GUEST COLUMNIST



MICHAEL DARLEY
CEO, NEXT GAMING

Darley emphasises the need for innovation when developing slots for millennials

Creating and introducing new technology and innovation to any consumer segment is a complicated and daunting task. It presents challenges that demand a strategic focus and a thorough understanding of the cycle of acceptance for the consumer group you are targeting.

First and foremost, does your product fill a need to a large enough customer base and is it unique enough in the marketplace to gain traction? With the apparent decline of traditional casino gaming revenue, and specifically slot machine play, an alternate experience needed to be created. Hence, skill-based gaming became a large topic of conversation to satisfy the demands of the US millennial generation, comprising 73 million people aged between 22 and 37, surpassing the Baby Boomer generation of 72 million.

It became increasingly apparent millennials did not gravitate to traditional slot machine products. They found them uninteresting and lacking an engagement factor. Additionally, they wanted to have some control of the outcome.

Prior to the entry into this identified segment, there needed to be rules established for gaming equipment manufacturers to add a skill-based, arcade-style element to their slot designs. This was first supported in Nevada, as the state understood the need for innovation and advanced technology to bolster declining casino revenue. In May 2015, Senate Bill No.9 was passed, instructing the Nevada Gaming Control Board to adopt technical standards to support this initiative. In February 2016, the New Jersey Division of Gaming Enforcement mirrored Nevada's standards. In conjunction with these initiatives, Gaming Laboratories International released GLI 11 v.3.0, which incorporated "games of skill" into its technical standards.

Now that a need was identified and the regulatory environment was favourable, the design phase followed. What were the critical elements that needed to be part of a new slot machine gaming experience? What behavioral aspects of a younger audience needed to be met? What types of game themes and playing experiences would be appealing?

It seemed logical to create games that offered similar experiences that aligned with the video games that the millennials were playing. It was also logical to acquire intellectual property that may be recognisable to the potential players. With this in mind, a small number of manufacturers chose to enter into this new aspect of slot machine design and become a participant in the changing landscape and evolution of casino entertainment.

In anticipation of the new skill-based games being released and attracting a new audience, there was significant media coverage. The expectations were high with the initial placements, and the early adopters were willing to try something new. The games were placed with much enthusiasm and the players came. Unfortunately, the reception to the games was less than anticipated. The first generation of skill-based slots were not the "panacea" to attracting a new player base that many in the gaming community were expecting. Why was that? It really is a simple answer. With all new and innovative products; refinements and improvements are expected. It's a learning curve that can only be gathered by real-time application. Look at the Apple iPhone. It certainly was not perfection, but it started the learning curve and evolved into what we have now. Design, implement, observe, assess and repeat.

"It became increasingly apparent millennials did not gravitate to traditional slot machine products. They found them uninteresting and lacking an engagement factor"

The brave companies that are still the innovators such as GameCo, Gamblit, Next Gaming, Competition Interactive and Synergy Blue are a small but cohesive group of highly-skilled individuals that are leading the way in the evolution of the common slot experience. It's just a matter of time, and it may be here that skill-based gaming reaches its potential.

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