GI FRIDAY

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WEEK 45

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THIS WEEK

- Online up, retail down for Will Hill in Q3
- Sky to cut gambling ads
- SBTech CEO tells *GI* about adapting to US bet types
- More major league sponsorship deals

GUEST COLUMNIST:

- Ross Haselhurst, Commercial Director, Bede Gaming

MGM AND CAESARS EXPLORE MERGER OPPORTUNITY

MGM Resorts and Caesars Entertainment are rumoured to be looking into a potential merger.

The New York Post reported investment bank Morgan Stanley and law firm Weil, Gotshal & Manges have been hired to look into the possibility of merging the two gaming giants.

The unification would create a business valued at more than $50bn.

Both operators declined to comment when contacted by *Gambling Insider*.

The report comes days after Caesars announced CEO Mark Frissora would step down from his post in February.

A source with direct knowledge is reported by the New York Post as saying: "Everyone knows that, without a CEO, Caesars is in play."

Activist hedge funds, owners of 25% of Caesars, are keen on the MGM deal, according to the source.

These investment groups, including Canyon Partners, holders of leading stakes in both companies, were speculated to be part of the reason behind Frissora's decision to leave Caesars.

If the deal is concluded, there could be regulatory concerns, as a merger between the two would see an intense concentration of venues under one brand.

In 2017, DraftKings and FanDuel attempted a merger but were stopped by the Federal Trade Commission (FTC). ▶

THIS WEEK IN NUMBERS

£483m

Paddy Power Betfair's Q3 revenue ($628m), a 10% year-on-year growth

21%

Year-on-year increase in Gaming Innovation Group's Q3 operating revenue, which rose to €37.3m ($40.3m)

3%

Year-on- year rise in revenue for Macau casinos in October, to MOP27.33bn ($3.39bn)

73.6%

Year-on-year revenue increase for The Stars Group in Q3, primarily as a result of the acquisitions of Sky Betting & Gaming and BetEasy

60%

The threshold now needed to establish any new gambling in Florida after Amendment 3 was passed

Tad Lipsky of the FTC Bureau of Competition said at the time: "This merger would deprive customers of the substantial benefits of direct competition between DraftKings and FanDuel "

The FTC may attempt to prevent an MGM-Caesars merger by referencing similar conditions, as the regulators state their mission is to "protect consumers by preventing anti-competitive, deceptive, and unfair business practices, enhancing informed consumer choice and public understanding of the competitive process, and accomplishing this without unduly burdening legitimate business activity."

Moreover, MGM may not be the only suitors for Caesars; sources also told the New York Post Wynn Resorts may table a bid if it is able to keep its license to build in Boston. Malaysia's Genting Group, owners of Resorts World, could also be interested.

The sources said: "I think the next three to four months will be fascinating."

While it is currently in negotiations to buy some of Jack Entertainment's Ohio casinos, Caesars recently rejected a takeover offer from Tilman Fertitta's Golden Nugget casino chain.

Doubt has been cast on the validity of the rumours by the stockbroking arm of financial service group Nomura.

A note from Nomura is reported as having said: "We seriously doubt that, even if there are such discussions, they will go anywhere."

MGM has held a presence in Asia through its majority stake in MGM China and Caesars is reported to be interested in entering the market by developing a casino in South Korea with a potential launch in 2021. Caesars and MGM are both seeking licenses in Japan.

Discussing other potential entrants to the deal, the Nomura note said: "We also find it a dubious proposition that either Wynn Resorts or Genting is in a position to acquire Caesars Entertainment.

"We reiterate our positive view on Caesars Entertainment, which is based not on a takeover premium but on improving operational performance with a new CEO, as well as stronger demand trends in Vegas next year."

Caesars shareholders have seen its stock drop 25% since the company's restructuring in October last year. However, Caesars was able to report net revenue of $2.19bn for Q3, up 120% year-on-year.

WILLIAM HILL HAILS "RAPID PROGRESS" IN US

William Hill has announced a 4% year-on-year growth in online net revenue for the year to date, with sportsbook revenue growing 8%.

However, the operator recorded a 4% decline in year-to-date retail net revenue, with sportsbook falling 6% in this category.

Gaming rose 1% online but fell 2% in retail.

William Hill's most notable results came in the US, with the operator hailing "rapid progress" as net revenue in Nevada grew 36% in local currency.

Also accepting sports wagers in Delaware, New Jersey, Mississippi, West Virginia and New Jersey, the operator took approximately $200m in total handle; an amount said to be in line with company expectations.

William Hill's full-year operating profit is expected to be between £225m ($293m) and £245m.

CEO Philip Bowcock said: "It has been another busy period for William Hill, with significant progress made on our plan to capitalise on the emerging US sports betting opportunity following the Supreme Court's decision to overturn PASPA in May.

"I'm pleased to report we've built on our market-leading position in Nevada to make rapid progress in other states as they legalise sports betting, and are the only company to be taking sports bets in the first five states to have regulated."

William Hill has outlined plans to double its profits over the next five years by increasing its digital revenues to around £1bn, ultimately becoming the market leader in the US sports betting market.

Bowcock was keen to emphasise this digital strategy, which is a driving factor behind its offer to buy MRG.

When contacted by *Gambling Insider* last week, sources close to the operator said the takeover should be complete by January.

60%

Revenue growth in Q3 for Catena Media, which totalled €27.7m ($31.8m)

$789.7m

Net revenue for Penn National in Q3, a 2% fall year on year

$2.3bn

Annual sports betting revenue projected in the NFL alone by a PricewaterhouseCoopers report, the same figure previously quoted by the American Gaming Association

SKY TO REDUCE GAMBLING ADVERTS IN 2019

Sky has devised a set of proposals to reduce the amount of gambling adverts on its network from August 2019.

According to Nielsen research, UK gambling companies spent £430m ($560m) on advertising between 2012 and 2017, with the annual amount almost doubling from £64m in 2012 to £127m in 2016.

Amid growing public opposition to the current volume of advertising, Sky's plans are straightforward. From next August, coinciding with the new Premier League season, the broadcaster will impose a limit of one in-play gambling advertisement per commercial break (currently, this can be up to four).

The restrictions will apply to all channels Sky sells advertising slots for, including Channel 5, all Sky channels on Virgin Media and Sky channels in Ireland.

A new AdSmart system will be introduced in 2020, allowing viewers the choice to remove all gambling adverts.

Jeremy Wright, UK Culture Secretary, said: "It's an important and very welcome move that will better protect vulnerable people from the impact of gambling-related harm."

Stephen van Rooyen, Sky UK CEO, said: "Our customers are worried about gambling ads on TV – and we understand their concerns. That's why we've committed to limiting the amount of gambling ads on Sky and better protecting those vulnerable to problem gambling."

Meanwhile, rival broadcaster BT added: "While we already limit the number of gambling adverts shown on our channels, we will continue to review our approach to bookmakers advertising and work closely with the ASA and other appropriate stakeholders."

PaddyPower Co-founder and former CEO Stewart Kenny said: "These two initiatives are welcome, as the bombardment of sports programmes with gambling advertising was normalising gambling for children."

For in-depth analysis on why Sky's proposals could be great news for the gambling industry, click here.

THIS WEEK'S WINNERS AND LOSERS

WINNERS

Scientific Games– **Completed its deal to acquire Don Best Sports Corporation and DBS Canada Corporation**

LeoVegas –**Reported a 41% year-on-year increase in Q3 revenue to €78.6m ($90.3m), despite a "challenging quarter"**

New Mexico – **The state's Lottery Authority (NMLA) has voted unanimously to authorise a new sports lottery game but face political opposition**

Irish government – **Could lose €35m ($40m) in revenue due to the recent gambling tax increase from 1% to 2%, according to a DCU Professor**

CyberRock Entertainment and Honeydew – **Was fined €350,000 ($400,000) by the Dutch regulator for offering online games of chance**

LOSERS

SBTECH CEO: "US ODDS HERE TO STAY"

SBTech CEO Richard Carter can see US sports bettors "adapting rapidly" to in-play markets but feels American odds are "here to stay."

A number of European suppliers and operators have entered the US sports betting market since the repeal of the Professional and Amateur Sports Protection Act in May, leading to what should prove an interesting mix of strategies.

Of the numerous European exports, Carter believes in-play betting is sure to impact the US market with time.

However, Carter thinks American odds – presented differently to fractions and decimals – will not be stamped out of the industry by a European invasion.

He told *Gambling Insider*: "I think American odds are here to stay, but we can offer greater choice to players through ever-improving UI.

"However, the actual odds presentation is less relevant for customers who play online and via self-service betting terminals, since the relationship between stake and returns is transparent as they build their bets.

"In-play is obviously a huge opportunity and as US sports players become more accustomed to these new bet types, I believe we'll see them adapting rapidly to the more traditional European mix of pre-match and in-play, although this will take time."

Outside the US, Carter says SBTech is focusing on entering the French and South African markets, as well as taking a "close look" at Latin American countries.

He explained: "In the near term, we are focused on entering the French sports betting space with several partners and are eyeing entry into South Africa.

"We will also take a close look at additional LatAm markets as the regulatory environment evolves."

THE WEEK IN QUOTES

"We recommended a stake limit for FOBT non-slot games should be set at or below £30 if it is to have a significant effect on the potential for players to lose large amounts of money in a short space of time."

Speaking to *Gambling Insider*, the Gambling Commission clarifies its fixed-odds betting terminal recommendations

"I have been privileged to lead this iconic company and am proud of all that our team has accomplished. Together, we navigated a complex restructuring process. I am confident the company is well positioned to thrive and grow in the future."

Departing Caesars Entertainment CEO Mark Frissora reflects on his tenure

"There is a huge focus on retaining and bringing back your players, just by offering bonuses, and it's quite hard, to be honest, to stand out today from the competition, with so many sites offering very similar bonuses and many sites have similar games,"

Reactivation Group COO Jonatan Rajala speaks to *Gambling Insider* about player retention

NY JETS AND NHL AGREE BETTING PARTNERSHIPS

Two leading operators made strides in the US this week, as 888 Holdings secured a sponsorship deal with the NFL's New York Jets, while FanDuel announced a multi-year partnership with the National Hockey League (NHL).

888's deal will run throughout the entire 2018-2019 season and is a first for an online operator with an NFL team, after permission was granted for NFL teams to be sponsored by casino and poker operators respectively.

As part of the agreement, 888.com branding will be on display at the MetLife Stadium during Jets games and 888 will use Jets branding and logos in its marketing campaigns and materials.

This is 888's second new development of late in the US market, having recently launched the 888Sport brand in New Jersey, adding to the 888Casino and 888Poker brands which were already active in the state.

Yaniv Sherman, Head of Group Commercial Development at 888, said: "This exciting deal between the New York Jets and 888.com is a significant moment for both 888 and our industry as it marks the first ever sponsorship agreement between an NFL team and a global online operator."

Meanwhile, not only has FanDuel become an official partner of the NHL, it has also partnered up with the New Jersey Devils; its first agreement in sports betting with an NHL team.

The deal will allow FanDuel to offer its customers exclusive NHL content and VIP experiences, such as attending the NHL All-Star Game and the 2019 NHL Winter Classic.

Matt King, CEO of FanDuel, said: "Joining forces with the National Hockey League was the perfect step up for us, as both our sports betting and fantasy sports businesses continue to grow. The league's clear vision for these categories and this partnership marks an exciting time for both organisations."

Kip Levin, COO of FanDuel, added: "We will continue to be at the forefront of the action for hockey fans. Our partnership with the Devils allows us to be on the ice during the action."

DATA CENTRE

Provided by *fantiniresearch.com*

PA SLOTS SLIP

Pennsylvania kicked off October on a down note as slot revenue slipped 1.73%.

Results in Northeast Pennsylvania dragged down the rest of the state as they were once again hurt by Empire Resorts' Resorts World Catskills in New York.

Casino revenue outside of the northeast fell just 0.26%

October had an equal number of Fridays and Saturdays, but had one less Sunday than last year.

MARKET/PROPERTY	REVENUE (M)	Y-O-Y(%) CHANGE
Philadelphia		
Valley Forge (BYD)	$7.353	+3.30
SugarHouse (Rush Street)	$14.694	+2.64
Parx (Greenwood	$32.178	+2.05
Harrah's (CZR)	$15.840	-3.23
Philadelphia total	**$70.065**	**+1.05**
Same store	$62.712	+0.80

MARKET/PROPERTY	REVENUE (M)	Y-O-Y(%) CHANGE
Northeast PA:		
Mt. Airy	$12.071	-0.83
Mohegan Sun	$15.521	-5.79
Sands Bethlehem (LVS)	$22.470	-7.67
Northeast PA total	**$50.062**	**-5.51**

MARKET/PROPERTY	REVENUE (M)	Y-O-Y(%) CHANGE
Pittsburgh:		
Rivers (Rush Street)	$22.022	+3.60
The Meadows (PNK)	$17.259	-2.24
Pittsburgh total	**$39.281**	**+0.95**

MARKET/PROPERTY	REVENUE (M)	Y-O-Y(%) CHANGE
Elsewhere:		
Presque Isle (ERI)	$9.384	+1.63
Hollywood (PENN)	$15.328	-6.88
Lady Luck Nemacolin (ERI)	$2.135	-17.99

GUEST COLUMNIST

ROSS HASELHURST
COMMERCIAL DIRECTOR,
BEDE GAMING

Haselhurst discusses content being delivered correctly – and why the industry is desperate for a fresh approach

There's a tendency to lament the under-development of online gaming when it comes to user experience, but as an industry, we largely have ourselves to blame. The approach has been lethargic for too long and we are rapidly being left behind as a form of entertainment by a new generation of players.

Prior to the explosion in mobile gameplay, gambling had it good for many years. But, in more recent times, it has been too slow to react with other monetised apps getting in on the act far quicker and far better than our industry could. These apps showcase a rapid, personalised, customer-focused set of diverse offerings, giving the "Netflix generation" what they want, when and wherever they want it and on whatever device they choose.

The last few years, however, have seen gambling begin to respond, with a handful of forward-thinking operators brave enough to make the leap from bulky, unchangeable legacy software systems, to instead partner with disruptive suppliers. These businesses can offer rapidly integrated, flexible player management platforms, complete with cutting-edge, automated marketing tools that can revolutionise a brand offering in record time.

OVERCOMING THE FEAR OF CHANGE

The challenge, though, is immense. As several risk-tolerant, often mobile-focused and more advanced operators have found, it is surmountable. The answer is two-fold.

Firstly, operators must employ the right software supplier that has the agile platform technology and automated marketing tools to offer players the right dynamic content at the right time and in the safest and most responsible environment. Once that is achieved, brands are freed up to further develop player trust, engagement and customer service, increasing loyalty, revenues and their reputation for offering the best possible experience.

Secondly, operators must be brave enough to admit they need to change, switch platform providers and market in a more intelligent, more efficient and more personal way to their customers – if they are going to remain relevant and boost acquisition and retention rates.

We work closely with our partners to learn exactly what their requirements are for their specific customer base.

They then use these tools to set up rules-based approaches to specific offers, bonuses or campaigns depending on their target audience. Almost any segment, offer or bonus is possible in this scenario – the opposite of the bucket approach many operators still use. That approach involves mass marketing to high volumes of unsegmented customers, with little or no thought to personalisation or customers receiving the right experience with the right products at the right time.

MARKETING TO THE MASSES IS OVER

Powerful automated marketing tools can market down to an individual player level and alert players on various elements of their favourite games. Any number of triggers can be set up, configured, automated and monitored using live data tools which can be tracked by an operator's CRM and marketing teams in real time.

A crucial part of delivering data-driven, agile technology is ensuring we go above and beyond with responsible gaming. We pride ourselves on striving to provide the "safest place to play," which means we continue to dedicate huge effort, time and resources to responsible gaming initiatives. This includes internally, where we had a series of educational activities as part of Responsible Gambling Week from 1-7 November.

As a result, we have created a wide variety of RG tools within the platform with high configurability, including rules around suspect betting patterns that instantly notify brands' fraud and risk teams. Any operator worth their salt must have tools such as these in place or at least be considering them in the coming months.

LOOKING AHEAD

We are already ahead of other suppliers when it comes to empowering our forward-thinking partners with agile, supplier agnostic technology and personalised, dynamic marketing tools that have significantly enhanced our partners' revenues and their customers' overall experiences. There is a section of the industry, however, that remains in the dark, unable to move with the times due to cumbersome software.

Operators open to change and prepared to transform their online and mobile approach to attract a new generation of players will flourish, while those who aren't will fall further behind. We look forward to working with the former but will politely be declining the latter.