



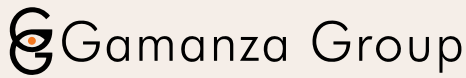
WEEK 09

FRIDAY 2 MAR 2018

WHAT HAPPENED TO THE TRIENNIAL REVIEW?

A story that was once covering all of the major UK newspaper headlines has turned into an afterthought in just 12 weeks

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THIS WEEK

- **DraftKings bracing itself for sports betting in the US?**
- **GAA bans gambling sponsorship**
- **Las Vegas Sands' Pennsylvania casino bid rejected**
- **Lotto companies hit back in lotto betting row**
- **Guest Columnist: Danny Hook, Managing Director, Rockolo**



Over the last year, the UK gambling industry has received a lot of negative press over the so called 'crack cocaine' of gambling: Fixed Odds Betting Terminals.

Regular news stories and tabloid investigations championed them as evil, with politicians on both sides of the house calling for their restriction, over charges that they encourage problem gambling in the UK. Top of the regulatory agenda was a curb on the maximum stake playable on FOBT's from £100 to £2 as a way of stopping these gamblers before they become at risk.

July saw the UK Government put off the publication of its long-awaited Triennial Review into the UK gambling industry until October 2017, citing delays caused by the snap general election. This prompted many to believe that such a restriction ▶



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AMSTERDAM

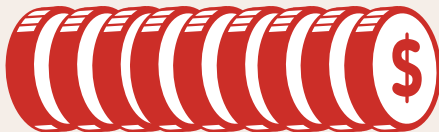
LAS VEGAS

THIS WEEK IN NUMBERS



The number of World Snooker tournaments ManBetX has signed a sponsorship deal with

€807.1m



Playtech's total revenue announced in its full-year financial results for 2017

would be included when the review was eventually published.

Ahead of the lead up, a *Financial Times* article claimed that changes to FOBTs in the UK could cost the nations bookmakers £150m, and spark a wave of consolidation. Then in October, the government again failed to announce a verdict, instead launching a 12-week long consultation.

John Whittingdale, the former culture secretary, spoke at the annual meeting of the Association of British Bookmakers late last year, saying: "I can't say I would be surprised if there are quite radical measures produced when we come to it and I think you should brace yourself."

Chief Executive at Ladbrokes Coral, Jim Mullen spoke to the *FT* on the impending results, saying: "If [the government] follows the evidence, they will see that stakes do not affect problem gambling behaviour. If they do not follow that evidence, it will have an impact on tax receipts at the Treasury to the tune of £250m per annum. There will be an impact on jobs from the sector, with close to 20,000 (positions at betting shops being cut by 2020). Then there will

be an impact on horseracing to the tune of £200m per year."

UK Bookmaker, Ladbrokes Coral concluded the company would stand to lose just under a fifth of its annual revenues, giving a dire prognostication of any proposed cuts in November stating: "A cut to £50 would have a negligible impact, a cut to £25 would cut £84m in revenues, but a cut to £2 would result in Ladbrokes Coral losing £437m."

Flash forward to today and it is a very different story. A quick search online for the Triennial Review results in little to no update on the situation, with many of the stories dating back to 2017. Many expected the result of the Triennial Review to be published weeks ago, yet nothing has been heard since rumours circulated last year. So why the sudden inactivity?

Steve Donoughue offers his thoughts: "The silence over the outcome of the FOBTs is due to three factors; a) there is not a lot more to be said that hasn't been said, b) the fire of the anti-gambling groups has moved to online and c) most people (city institutions etc.) are betting

A VIRTUAL TRADE SHOW & NEWSROOM

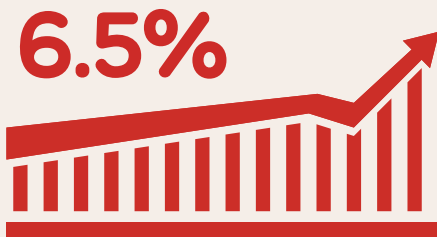
WHERE THE GAMING INDUSTRY MEETS

FANTINI'S
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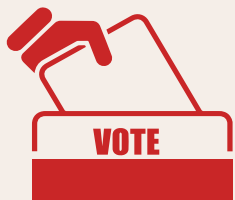
36%



The amount Gaming Innovation Group has acquired in Hong Kong-based games studio, D-Tech



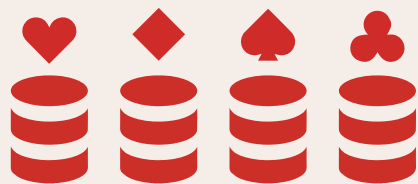
The amount Boyd Gaming's revenue increased in Q4 2017



The final vote ruling against a resolution that would have included a proposal to expand the states casino industry, made by senators in South Dakota

23/12

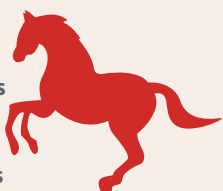
HK\$23bn



The total amount of revenue Galaxy Entertainment Group took in the VIP gambling sector during 2017

62%

The stake amount The Stars Group has purchased in Australia's CrownBet Holdings



on a £20 stake. It will of course flare up again once DCMS announces the outcome of the Triennial Review and then again once it hits Parliament for the vote on the Statutory Instrument (S.I.) to set the new limits. My thoughts on timing are it could be any time as the key issue is whether the vote on the S.I. will pass."

Matt Hancock, the new man in charge of the DCMS is said to favour a maximum FOBT stake of £2, putting him at odds with the industry. Everything seems now to hinge on the results of this consultation as a catalyst for both publication of the review and indeed, any potential curb.

Addressing its role in the consultation, Ladbrokes Coral said: "We have responded to the Government's Triennial Review and look forward to working productively with them to ensure a proportionate and evidence-based outcome is achieved.

"We would also encourage the Government to listen to the advice of their own advisory body, the Responsible Gambling Strategy Board, who concluded that there is no compelling evidence that a reduction in maximum stakes would necessarily make a material contribution to reducing gambling-related harm."

However, with the month anniversary of the consultation period passing last week it seems that the industry and indeed the UK Government are holding its collective breath.

KEY POINTS

- Triennial Review: Delayed or Forgotten?
- Consultation anniversary passes without decision on FOBT's
- Industry braces itself for financial consequences

Sean Hurley will be the first incumbent of this newly created role and will help build, launch and drive the sports betting vertical at DraftKings, reporting directly to Chief Revenue Officer and Co-Founder, Matt Kalish.

At the same time DraftKings have also confirmed that it will be opening an office in Hoboken, New Jersey, with Hurley being based there. The company have confirmed that his role will focus on "focus on preparing Sportsbook as a potential new line of business for DraftKings in anticipation of the pending Supreme Court decision in Christie v. National Collegiate Athletic Association".

Matt Kalish, DraftKings CRO and one of its co-founders, lauded the appointment of Hurley to the new role, saying: "Sean brings a wealth of gaming experience to DraftKings and furthers our ability to be a leader in the sports betting market."

If the New Jersey appeal against the constitutional validity of PASPA proves to be successful and it is indeed repealed, the Garden State will prove to be one of the key lynchpin states in any successful introduction of sports betting across the US.

Legislators have already approved the laws required to legalise and regulate sports betting in the state, with Governor Christie stating last year that New Jersey could be ready to roll on sports betting within two weeks of any PASPA reversal.

It now seems that DraftKings is hedging its bets on the decision going New Jersey's way, mirroring other operators and indeed sporting associations who are betting on the end of PASPA.

DRAFTKINGS BRACING ITSELF FOR SPORTS BETTING?

The operator appoints a new 'Head of Sportsbook' position

US daily fantasy sports company, DraftKings has announced the creation of a 'Head of Sportsbook' role to oversee DraftKings' sports betting operations, prompting speculation that it may be trying to get ahead of potential legalisation of sports betting in the US.

GAA BANS GAMBLING SPONSORSHIP

All current sponsorship deals will end immediately

Members of the Gaelic Athletic Association, attending their annual congress in Dublin, have voted 93% in favour of an end to sponsorship agreements between its members and gambling companies.

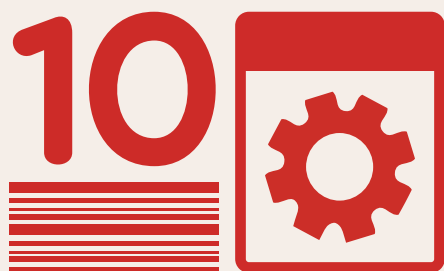
In a statement the GAA said that this decision will prohibit "sponsorship

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SERIOUS BUSINESS, SERIOUS FUN



The number of years IGT Global Solutions will provide South Carolina Education Lottery with retail solution software in a new contract signed this week



The year-on-year increase in Sweden's gambling revenue during 2017

by a betting company of any competition, team, playing gear or facility".

GAA President, John Horan told *RTE Sport*: "I think the betting problem in this country is a lot more dangerous than people think. The whole movement of betting into credit cards, phones, that sort of thing, is exposing people in a far great way."

Mick Rock, Head of the Connacht GAA, claimed that sport in general is "besieged by gambling", and that passing the motion "will enhance the moral standing of the GAA in Irish life and protect the integrity of our games".

Two teams affected by this ban will be former all-Ireland club champions Crossmaglen Rangers, who are sponsored by bookmakers Bar One Racing, while Armagh also have a sponsorship arrangement with BoyleSports.

Former Gaelic football star, Alan Kerins, speaking on behalf of the Gaelic Players Association welcomed the GAA's action adding: "The GAA is a very significant organisation socially and this is a big step, not only to protect the players

but also the wider GAA community. They are taking a lead on it, both nationally and internationally.

"While we support the motion and commend the GAA for a very progressive step, we still feel there's an awful lot more to do."

LAS VEGAS SANDS' PENNSYLVANIA CASINO BID REJECTED

Winning bid 'invalid' due to regulation issue

Las Vegas Sands Corporation has fallen foul of Pennsylvania gaming regulators after a winning bid to build a fourth mini-casino in Pennsylvania was found to contravene state bylaws.

Representatives from the Pennsylvania Gaming Control Board said that the \$9.9m winning bid infringed on the 15 mile buffer zone surrounding the third proposed mini-casino, won by the Mount Airy Group, and was thus invalid.

Under Pennsylvania Act 42, Category 4 casinos can only be situated in "a specific geographic point established by geographic coordinates in this

Commonwealth with a 15-linear mile radius”.

The regulations additionally stipulate that “a Category 4 facility may not be located within 25 miles of another licensed PA casino (Category 1, 2, or 3), except if the location is within 25 miles of the winning bidder’s own licensed facility”. Following the declaration, the next highest bidder, Greenwood Gaming and Entertainment were awarded the licence to build a mini-casino in the state, submitting a \$8.1m bid.

Auctions for the first four of ten licences have raised \$120m for the state, with the three previous winning mini-casino bids coming from Mountainview Thoroughbred Racing Association, LLC, Stadium Casino, LLC and Mount Airy.

LOTTO COMPANIES CRY FOUL OVER EURO MILLIONS BETTING BAN

Group issues letter to DCMS outlining its opposition

The Lotto Betting Group (LBG), an organisation made up of some of the UK’s biggest lottery betting operators, have called on the Department for Culture Media and Sport to dismiss a forthcoming change in the law banning third party betting on EuroMillions lottery draws.

This restriction, which is due to come into effect on the 6 April would stop LBG members, World Lottery Club, Lottoland, Jackpot.com and Multilotto from offering betting options on EuroMillions. Proposals to end lottery betting first began in March 2017 when the government announced a consultation on whether to suspend a loophole which allows betting on non-UK EuroMillions draws. A total of 52 responses of support were received following the consultation, prompting the DCMS to declare that allowing betting on EuroMillions was “contrary to the intention and spirit of section 95 of the Gambling Act 2005, which seeks to preserve a distinction between betting and The National Lottery to protect

returns to good causes and prevent consumer confusion”.

However, in its letter, the Lotto Betting Group rejects this claim, stating: “The decision to prohibit betting on non-UK EuroMillions draws was unjustified and was based on inconclusive evidence.

“This belief has been supported by the recent publication of the National Audit Office report, which confirms that the fall in National Lottery income for good causes in 2016-17 was due to a move away from National Lottery draw-based games to Instant games and not as a result of lottery betting.

“Instant games have a lower return to good causes, which led to the decline. The letter before claim asks the DCMS to suspend the Parliamentary approval process.”

At present, a third of the price of a EuroMillions ticket bought through UK lottery operator Camelot goes to good causes. Over £37bn has been awarded to over 525,000 charities and good causes since 1994.

DATA CENTRE

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LV STRIP FALLS

The Las Vegas Strip posted an 8.89% year-on-year drop in gaming revenues in January, hurt partly by a tough comparison with January 2017. Last January had one extra Sunday, Chinese New Year and benefited from lucky play.

The month marks the Strip’s worst year-over-year comparison since August 2016 and four straight months of declines. Gaming revenues on the Strip have been down since the 1 October shooting at Mandalay Bay. Overall Nevada slipped 2.05%, but factor out Las Vegas, and the state rose 7.72%.

However, Reno remained a bright spot rising double-digits and the Las Vegas Locals market continued its growth with an 8.26% rise. January was the locals market’s best month since October.

COMPONENTS OF STRIP PERFORMANCE:

MAJOR STRIP SEGMENTS:	REVENUE (\$)	CHANGE (%)	WIN PERCENTAGE	
			2017	2018
Blackjack	74.666m	-11.86	15.01	14.38
Baccarat	110.779m	-28.38	17.12	15.76
Total games	281.853m	-15.77	15.45	15.17
Slots	272.899m	-0.51	9.03	9.22

TABLE DROP

	2017	2018	CHANGE (%)
Blackjack	\$564.397m	\$519.235m	-8.00
Baccarat	\$903.522m	\$702.912m	-22.20
Total games	\$2.166bn	\$1.858bn	-14.21

	REVENUE (\$)	CHANGE (%)
Nevada	1.015bn	-2.05
Las Vegas Strip	554.752m	-8.89
Clark County	892.064m	-3.68
Downtown LV	56.526m	+1.76
North LV	28.770m	+0.41
Laughlin	45.667m	+3.50
Boulder Strip	90.627m	+6.76
Mesquite	11.009m	+4.53
Balance of County	104.713m	+12.03
Las Vegas locals market	224.110m	+8.26
Washoe County	60.721m	+11.14
Reno	44.683m	+13.82
Sparks	9.651m	+3.22
North Lake Tahoe	1.684m	-1.46
Balance of County	4.702m	+8.85
South Lake Tahoe	19.641m	+14.83
Elko County	21.999m	+16.95
Wendover	14.682m	+15.84
Balance of County	7.317m	+19.26
Carson Valley Area	8.101m	+7.21
Other areas	12.501m	+4.29

GUEST COLUMNIST:

DANNY HOOK

MANAGING DIRECTOR, ROCKOLO

SIZE DOESN'T MATTER

Hook says businesses of all shapes and sizes, including affiliates, can take advantage of the power of the cloud

For small businesses, cloud computing can seem daunting. Many believe it is too sophisticated, powerful and expensive for their needs. That it's the sort of thing supplier and operator giants concern themselves with, not your average online casino/poker/sports book comparison site.

But, in reality, the opposite is true. Cloud solutions are perfectly suited to smaller businesses, and for several reasons. From removing the need to invest in expensive hardware, to real-time scalability, via increased security and greater accessibility, affiliates and smaller online gaming businesses should have their heads in the cloud.

This misconception is largely down to a lack of education in what cloud solutions are, how they work, and some of their key benefits. So, with that in mind, here are four ways in which online gambling affiliates, and other SMEs in the industry, can streamline their businesses through cloud solutions.

1. COST

Businesses large and small are always looking at ways of streamlining costs and improving profitability, and cloud solutions can do this in several ways. Traditional data systems are powered by expensive hardware, which often needs round the clock maintenance and support.

As businesses expand, further investment is required in additional hardware and upkeep. Cloud solutions, however, do away with hardware investment costs and come on a pay-as-you grow basis. That means businesses only pay for the resources and internet connectivity they use on a month-by-month basis. If one month they use more, they pay more. If the following month they use less, they pay less. Additional savings come in not having to employ a dedicated maintenance person/team – servers must be monitored 24/7 to ensure no downtime and cloud solutions come with this as standard.

2. FLEXIBILITY

Cloud solutions offer unrivalled flexibility and can cope with fluctuating bandwidth demands. This is perfect for affiliates who may see a spike in usage around certain events. Lottery affiliates, for example, will see a huge uptick in site traffic around a major jackpot draw.

Cloud solutions allow such businesses to scale up and down immediately by drawing on the service's remote servers and internet connectivity. Again, this helps control costs with businesses just paying for the resources they use, without having to invest in additional hardware that may become redundant the following week.

3. ACCESS

One of the biggest benefits of cloud solutions is the access to data they provide. It is possible to log into a cloud storage account from any device, so long as the user has the correct username and password. For example, an employee working remotely for the day can access their files from their home laptop.

Documents can also be accessed from a wide range of devices, including desktops, laptops, tablets and even smartphones. It is about being able to access key documents whenever you need to, regardless of where you are or the device you are on at the time.

4. SECURITY

Perhaps the most significant benefit offered to affiliates is the additional security cloud solutions provide. Information is automatically stored and duplicated, eradicating the risk of data being lost. This means information is protected and safe in the event of a sudden technical outage or failure.

Most small businesses keep their data hardware on site in their office, but cloud services are located in purpose-built data facilities that come with advanced security measures. This includes CCTV monitoring, while all personnel entering the facility must be authorised, approved and validated.

Data is encrypted at rest, and encryption keys known only to the user are needed to access the service. Internet facing firewall technologies are included as standard, enabling affiliates and SMEs to build robust defences that far surpass those offered by their traditional data hardware and processes.

At Rockolo, we also ensure data sovereignty that meets regulatory requirements. Other suppliers offer cloud connectivity solutions, which means they simply connect you to another supplier's cloud – usually Amazon or Microsoft. Most regulators will not accept this as they don't know where the data is being hosted.

The benefits provided by cloud solutions are clear to see. Sure, the technology is powerful and sophisticated, but it is not expensive. And while it can be used by operator and supplier giants, it is also ideally suited to affiliates and other online gaming SMEs to streamline their businesses and reduce costs. When it comes to cloud solutions, size really doesn't matter.

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