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WEEK 11

FRIDAY 15 MAR 2019

LONG ROAD AHEAD AS 888 REVENUE FALLS FOR 2018

THIS WEEK

- **Worldpay data examines betting figures behind Cheltenham Festival**
- **GAN and Kambi unveil new Pennsylvania partnership**
- **FanDuel expands; Mobile joy for Rhode Island**
- **GVC execs sell nearly three million shares**

GUEST COLUMNIST:

- **Norbert Mathies, Managing Director, Spinmatic Entertainment**



There will be no honeymoon period for Itai Pazner in his role as 888 Holdings CEO, with the operator's full-year group revenue falling 2% to \$529.9m for 2018.

After succeeding Itai Frieberger this January, Pazner warned of disappointing 2018 figures in an exclusive interview with *Gambling Insider*.

AZTEC ADVENTURE



THIS WEEK IN NUMBERS

17.75%

Carl Icahn has further increased his stake in Caesars Entertainment



Year extension for Loto Québec's contract with IGT

5



The number of partners confirmed for The Sun's affiliate platform; Sun Racing



2%

Fall in IGT's revenue for 2018, to \$4.83bn

26%

Growth in Spain's online gaming market for 2018



That warning was confirmed by 888's financial report this week, with the fall in revenue underpinned by a 37% drop in B2C poker revenue, to \$49m, and a 17% decrease in B2C bingo revenue, to \$32.4m. Competition and regulatory scrutiny were listed as major factors.

However, B2C sport revenue was up 6% to \$80.3m, aided by the summer's FIFA World Cup, while B2C casino revenue rose 8% to \$317.6m.

Adjusted EBITDA was up 6% to \$107.1m and adjusted profit before tax rose 11% to \$86.7m. Despite the decrease in revenue, 888's share price went up on the morning of the announcement, from £1.65 (\$2.17) to £1.67.

Some investors may perhaps be buoyed by 888's more measured approach in the market, even if stagnation in poker and bingo has affected its bottom line. The change in CEO is an indication of a fresh approach and Pazner's comments in the financial report naturally focused on the positives.

The CEO said: "Despite headwinds in some areas of the business, the financial performance in 2018 was resilient and we achieved a record EBITDA outcome for the year. The group achieved continued growth across several regulated markets, primarily in continental Europe, underpinned by good momentum in casino and sport."

There is further work to be done for 888 when it comes to BetBright though, as *Gambling Insider* understands the operator is currently not able to move the operator's players onto its platform. Discussions are believed to be ongoing to find a solution to the problem.

888 purchased BetBright's sports betting platform for £15m (\$19.9m) last week and its Dublin office will be integrated into the 888 Group.

But it was later announced BetBright was to permanently cease its gambling services, and the operator encouraged customers to withdraw all funds within a 30-day window. 888 said it will honour all Cheltenham Festival wagers placed through BetBright.

A spokesperson for 888 said: "As a gesture of goodwill, 888 will be honouring and paying out on all winning Cheltenham Festival bets which were placed through BetBright's sportsbook."

Initially, all unsettled wagers were to be voided, angering players who had placed ante-post bets with the operator. The Gambling Commission has since said it is content with BetBright's approach.

"We've carefully looked at the situation with BetBright," its statement said. "During our inquiries the operator highlighted the very real possibility of going into insolvent liquidation if it remained open. This was a significant risk for BetBright's customers and therefore we're content the return of stakes, as part of an orderly closure of the business, is the best option available for the vast majority of customers."

Elsewhere, JPJ Group this week announced completion of the sale of its Mandalay portfolio to 888. An £18m deal was announced in February, with 888 initially paying JPJ Group £12m. A remaining instalment of £6m will be processed in September 2019.

The aim of the purchase is to strengthen 888's UK bingo arm, with the portfolio, which includes Costa Bingo, City Bingo and SingBingo, now functioning on a B2C basis. Considering 888's sharp fall in B2C bingo revenue, there appears to be considerable strategic value here.

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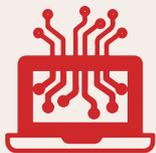
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267

The number
of illegal
gambling
arrests made
during a recent
operation in
Hong Kong



2021

The year Japanese officials
are aiming to construct facial
recognition technology at
pachinko parlours, boats and
horseracing venues

HIGH STREET PUNTERS BETTING BIG ON CHELTENHAM

Data analysis from Worldpay suggests retail wagers on the Cheltenham Festival should be significantly larger than stakes on online bets.

The Cheltenham Festival is one of the UK's most famous annual horseracing events. This year's festival began on Tuesday and finishes on Friday.

Worldpay data predicted online operators would see a huge upturn in wagers during this period.

Last year, online operators saw a 49% increase in bets placed during the festival compared to the previous week.

According to the data, there was a significant amount of increased activity in betting via mobile devices between 1.30pm and 3.30pm during the 2018 festival. This is when the races are shown live on ITV in the UK, with only the last race not featuring.

Despite more bets being placed online though, last year revealed the value of bets averaged £91 (\$118) on the high street, compared to £40 online.

Steffan Jones, Vice President for Gaming at Worldpay, said: "Horseracing is one of the most popular betting activities in the UK, and with over nine million people betting online in 2017, this figure is only set to rise. For digitally-savvy punters, mobile devices enable them to place bets anytime, anywhere; so it's important for operators every part of the journey makes it as enjoyable as possible.

"It's not just about ensuring adding funds is frictionless, in this age of online expediency fast payouts are equally important.

"Trustworthy operators who offer this seamless end-to-end experience will see the biggest gains."

THE WEEK IN QUOTES

"I would suggest between international jurisdictions, domestic legislation, EU directives, EU case law, GDPR, AML, counter-Terrorism initiatives, customer due diligence and automated flags in the system immediately highlighting abnormal behaviour, gambling is more regulated than anything else."

Industry consultant Aideen Shortt speaks to *Gambling Insider* about corporate social responsibility

"It's always challenging relying on a small number of players for a large percentage of revenue. But, if your business is running well, you should be able to continue picking up new VIP players on a regular basis."

Letou CEO Paul Fox discusses VIP gaming with *Gambling Insider*

NEW JERSEY: GAN AND KAMBI TO SUPPLY PARX CASINO

GAN intends to power online sports betting and casino games in New Jersey and Pennsylvania, after extending its contract with Greenwood Gaming & Entertainment, operator of Parx Casino, to cover both states.

Parx can operate sports betting in New Jersey, as its parent company, Greenwood Gaming & Entertainment, part owns the Freehold Raceway venue in the state, with Penn National.

Supplier Kambi opened its on-property sportsbook at Parx in January, and *Gambling Insider* understands Kambi will power Parx's online and land-based sports betting in both states mentioned, with GAN coming on board as "platform partner."

Dermot Smurfit, GAN CEO, told *Gambling Insider*: "For online, Kambi is integrated into GAN's platform. Kambi is a standalone sports betting software application, which needs a platform like GAN's in order to function."

When opening its on-property sportsbook at Parx, Kambi said an online, Parx-branded sportsbook would be launched "as and when the

Pennsylvania Gaming Control Board (PGCB) elects to fire the starting gun on mobile wagering in the state."

GAN expects its Pennsylvania launch to happen this year, following the approval of its Interactive Gaming Manufacturer license by the PGCB on 6 March. The supplier says the fee of \$10,000 is significantly lower than its previous expectations of \$1m.

Pennsylvania operators faced a delay in going online, which the PGCB attributes to revising plans around server locations. The state's regulators are insisting on in-state servers in the wake of the Federal Wire Act opinion reversal from the Department of Justice.

This is GAN's second US license; in 2017, it was awarded a Casino Service Industry Enterprise license in New Jersey. In that state, GAN is awaiting approval from the Division of Gaming Enforcement to supply online sports betting and casino. The platform and technology provider expects this to happen in the summer.



WORLD-LEADING

Sports Betting & Platform Provider



“One of our biggest ambitions is entertainment. We are the entertainment industry; it’s forgotten. Everyone focuses on the money – it’s the last thing I think about. I want to make sure a player’s first click is as good as their last.”

Playtech’s Head of Live Casino Innovation, Kevin Kilminster, talks to *Gambling Insider*

THIS WEEK’S WINNERS AND LOSERS

WINNERS

MGM Resorts – The operator has signed an official partnership with reigning Major League Baseball (MLB) champion the Boston Red Sox

Japan – The country will be home to the world’s largest integrated resort, according to Wynn Resorts Development Japan President Chris Gordon

Paddy Power Betfair – Manchester United coach Ole Gunnar Solskjaer is contemplating legal action against the operator, for using his image in a newspaper advert

Sky Bet – A televised advert from Sky Betting & Gaming promoting its Request a Bet service has been banned by the UK’s Advertising Standards Authority

MLB – The New Jersey Division of Gaming Enforcement has denied its request to prohibit betting on spring training matches

LOSERS

FANDUEL TO ENTER PENNSYLVANIA; RHODE ISLAND APPROVES MOBILE SPORTS WAGERING

FanDuel has partnered with Boyd Gaming to provide its first sportsbook in Pennsylvania at Valley Forge Casino.

The sportsbook’s grand opening took place on Wednesday, with former Philadelphia Eagles tight end Brent Celek placing the ceremonial first bet.

The retail outlet is 1,800 square feet, is located near the main entrance of the casino and boasts 29 video displays.

Matt King, FanDuel Group CEO, said: “Opening the FanDuel sportsbook at Valley Forge Casino Resort is the start of FanDuel Group’s retail sports betting expansion, in partnership with Boyd Gaming. Our experience operating the top sportsbook in New Jersey at the Meadowlands Racetrack will serve us well as we enter Philadelphia and compete for customers in an area with some of the most passionate and knowledgeable sports fans.”

FanDuel’s parent company, Paddy Power Betfair, endured a tough 2018, recently reporting a 9% increase in full-year revenue and a 5% decrease in underlying EBITDA. But CEO Peter Jackson is optimistic FanDuel can offer the company a way forward in the US, saying: “We are confident FanDuel’s

nationally recognised sports brand, 8 million customers, our group betting expertise, and our market access partnerships position us very well.”

Elsewhere in the US, a bill allowing mobile sports wagering in the state of Rhode Island has been approved by lawmakers and sent to the governor’s desk.

Sports betting is currently only legal in Rhode Island through retail wagering at Twin River casinos in Lincoln and Tiverton. However, Senate President Dominick J. Ruggiero introduced a mobile sports wagering bill in January, which the General Assembly has now passed.

Ruggiero was aided by Democratic House Speaker Nicholas Mattiello, with their efforts proposing the creation of a mobile app for Twin River’s sportsbook.

Players would have to initially set up accounts in person at one of Twin River’s casinos, being free to wager anywhere within Rhode Island thereafter; player-tracking technology aims to prevent wagering outside the state’s boundaries.

The Rhode Island government would continue to receive 51% of all winnings from sports betting.

GVC CEO AND CHAIRMAN SELL SHARES

GVC Holdings CEO Kenny Alexander and Chairman Lee Feldman have sold just short of three million shares in the company between them.

Gambling Insider has been told the sales were made to “satisfy demand from an institutional buyer.”

Alexander has sold just over two million shares at a price of £6.66 (\$8.71) each, retaining 666,666. Feldman, meanwhile, has sold 900,000 shares at the same price, retaining 287,408.

When contacted by *Gambling Insider*, a GVC spokesperson said: “The sale was to satisfy demand from an institutional buyer.”

Gambling Insider understands Alexander also had personal reasons for choosing to sell but that, as stated on the GVC website, he and Feldman remain committed to seeing out the Ladbrokes Coral project with GVC.

Neither have the intention to reduce

their holdings any further and harbor long-term aims with the operator. Data exclusively obtained by *Gambling Insider* shows Alexander’s share holding as a percentage of his fee/salary is still eight times higher than the gaming industry average, while Feldman’s holding is four times higher than the sector average.

Speaking exclusively to *Gambling Insider* last week, Alexander said he is “obviously disappointed” with the company’s current share price, but believes the operator “can do no more than what we’re doing.”

GVC reported strong financial results for 2018, growing its pro forma net gaming revenue 8% to £3.5bn.

In December, Alexander spoke of his ambition to raise GVC’s share price to £20 within three years.

Shares in GVC were down to £5.39 this week, dropping from £7.17 on 6 March.

New Jersey same store land-based casino revenue fell 4.84% year-on-year for February, despite going up against last year, where Atlantic City had one of its wettest months on record.

The decline can once again be attributed to newcomer casinos Hard Rock and Ocean, which opened last June and have taken market share since then.

However, Resorts has been resilient since then and has grown revenue in four straight months.

Caesars bucked a five-month-straight trend of revenue declines and grew 10.67%. Sports betting handle was down 16.85% for February versus

January, likely due to the end of the NFL season. Online handle of \$258.872 million more than quadrupled retail handle of \$61.497 million.

The Meadowlands led revenue, with \$8.083m. Paddy Power Betfair's FanDuel operates the sportsbook there.

Online gaming grew 44.36%, as online poker rose for the first time in eight months.

Golden Nugget was unseated as the top year-on-year revenue gainer by Resorts, which grew 76.33%.

February had an equal number of Fridays, Saturdays and Sundays versus last year.

MARKET/PROPERTY	REVENUE (M)	(% CHANGE)	TABLEHOLD	
			2019	2018
Resorts	\$14.739	+23.32	21.8	11.9
Caesars (CZR)	\$19.462	+10.67	17.3	11.5
Tropicana (ERI)	\$24.153	-6.77	17.3	16.9
Golden Nugget	\$15.957	-7.19	21.7	20.5
Borgata (MGM)	\$50.615	-7.93	15.1	17.1
Bally's AC (CZR)	\$12.755	-10.33	15.4	20.4
Harrah's (CZR)	\$24.147	-14.46	21.1	23.7
Hard Rock	\$21.102	N/A	14.0	0.0
Ocean	\$13.759	N/A	18.2	0.0
AC Land-based Total	\$196.689	+15.66		
Same Store	\$161.829	-4.84		
MULTIPLE PROPERTY COMPANIES:				
Caesars	\$60.645	-4.09		

MARKET/PROPERTY	REVENUE (M)	(%) CHANGE	(%) SHARE	PARTNER
INTERACTIVE				
Resorts Digital	\$6.658	+76.33	21.0	SGMS, TSG
Golden Nugget	\$10.701	+35.71	33.7	PPB, GAN, SGMS
Caesars (CZR)	\$4.280	+34.07	13.5	888, SGMS
Borgata (MGM)	\$4.507	+18.85	14.2	GVC, Pala
Tropicana (ERI)	\$3.451	+3.13	10.9	Gamesys
Hard Rock	\$1.669	N/A	5.3	GIG
Ocean	\$0.484	N/A	1.5	GAN
Online gaming total	\$31.749	+44.36		
Same store	\$29.596	+34.58		
Casino	\$29.938	+48.07		
Poker	\$1.811	+2.12		

MARKET/PROPERTY	REVENUE (M)	PARTNER
SPORTS BETTING		
Meadowlands	\$8.083	PPB
Resorts Digital	\$3.717	TSG/DraftKings
Monmouth Park	\$0.774	WMH
Ocean	\$0.746	WMH
Bally's	\$0.182	SGMS
Resorts	\$0.143	DraftKings/Kambi
Hard Rock	\$0.123	GIG
Tropicana	\$0.059	WMH
Harrah's	\$0.096	SGMS
Golden Nugget	\$0.125	SBTech
Borgata	\$0.756	IGT
Total	\$12.733	
NJ Total	\$241.171	+25.57
NJ Same Store	\$191.425	-0.33



GUEST COLUMNIST



NORBERT MATHIES
MANAGING DIRECTOR,
SPINMATIC ENTERTAINMENT

Mathies discusses the present and future of online slots

The extraordinary growth of online gambling is nothing new to those who work in this industry.

The world of digital slots, in particular, is an integral part of this trend. Players have increasingly got used to the convenience of playing in the comfort of their own home. Moreover, the great variety of slots, the possibility of gambling at any time and the instant availability of preferred games are benefits customers do not like to miss.

However, this trend prompts suppliers to constantly create new and more exciting products, tailoring game themes according to regions and preferences, combining several features and offering all the possible innovations new technology can allow. Even though online gaming is a much more dynamic market than its land-based counterpart, it continues to be limited by regulation, the speed at which technology advances and the level of connectivity within each region.

Given these boundaries, online operators find creative, forward-looking suppliers can greatly help them attract and engage new players, providing a sizeable advantage in the competition for online market share.

MOBILE FIRST

Go mobile or go home; these words are the reality in the new world of online casinos. According to our experience, this approach should quickly turn into a credo.

More than 70% of our customers use mobile devices to play casino games and these numbers do not surprise us. Other experts confirm mobile gambling is one of the fastest-growing sectors in the gambling market, with increasing growth rates that are even higher than the online betting market in general.

Thanks to advances in the capacity and connectivity of mobile devices, projections affirm this trend will continue in the coming years; mobile gambling is the unequivocal future of the industry.

As an example, in the general gaming industry, according to studies published by Newzoo, more than 50% of all gaming revenue comes from the mobile segment.

A clear sample for the online gambling sector is the report of the Gambling Commission in Great Britain, which in December confirmed 55% of online players use a mobile phone or tablet device. These figures should be widely considered, since the United Kingdom continues to be the most competitive online gambling market in the world.

Another extremely relevant point is 70% of gamblers from 18 to 44-years-old prefer mobile, as opposed to those over 45, only 30% of whom prefer mobile.

Finally, our history delivering multi-channel casino games has taught us mobile customers play faster, become more engaged and are more inclined to keep making payments than desktop players. They engage anytime, anywhere and on a variety of mobile devices.

HOW TO BE PREPARED

Given this increasing trend of mobile gaming, the importance of adapting every casino game for mobile use is undeniable. But adaptation is not enough; we need to create our products from a mobile perspective from the very start.

Constant innovation, new and creative casino games, variations in the features that attract customers and themes they can relate to are essential characteristics for slot creators and providers to focus on.

Online operators should also look for games that are completely and instantly compatible with multiple channels. In this sense, the use of HTML5 for online slots is indispensable. Games have to be created with technology allowing players to access them immediately, no matter where they are or which device they are using.

Another fundamental characteristic making slots ultra-flexible and safe, thus immune to delays and instantaneously available on a global scale, is providers that have dynamic and secure support systems. These include high-end encryption, strong firewall systems and server structures in multiple locations.

The offer of fast and easy integration, without needing to download any data, along with a customisable management platform, completes the set of tools enabling operators to deliver the most attractive and engaging player experience possible.

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