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WEEK 23

FRIDAY 7 JUNE 2019

WILLIAM HILL REMAINS PATIENT OVER US MERGER AFTER FAILED CAESARS TALKS



THIS WEEK

- **Judge overrules DoJ in Wire Act case**
- **Two months into the job, Interwetten's 27-year-old CEO speaks to GI**
- **Cost-efficient UK National Lottery grows full-year sales**
- **Swedish regulator fines AG and Genesis Global**

GUEST COLUMNIST:

Yossi Barzely, Chief Business Development Officer, Pragmatic Play

Gambling Insider understands William Hill is still open to a US merger, after it held failed talks with Caesars Entertainment over a potential £6bn (\$7.59bn) deal last year.

Both parties discussed the possibility of a cash-and-shares deal, but talks ended due to a disagreement on price.

What remains unclear is whether Caesars was looking into William Hill in its entirety or purely the operator's US business.

Caesars, which owns 53 casinos in 14 states and overseas, had the potential to create a business worth in the region of £6bn with the UK firm, based on current share prices.

Gambling Insider understands William Hill has held plenty of discussions in the US, but is remaining patient over securing the right deal, whether that is with Caesars or another company.

This isn't the first time William Hill has failed with takeover talks, having previously held discussions with The Stars Group and GVC Holdings, who have both gone on to secure deals of their own. The Stars Group acquired Sky Bet, while GVC completed the acquisition of Ladbrokes Coral.

In August 2016, William Hill turned down a bid presented by Rank Group and 888 Holdings, mainly due to its shareholders, who did not believe the deal held enough merit.

William Hill states it has a five-year-plan to grow its digital platform in the US and recently struck a deal with Eldorado Resorts. Eldorado owns 20% of William Hill's US business, which indicates further talks may not entirely be off the table.



WE MAKE IT TOGETHER

THIS WEEK IN NUMBERS

\$936m



Nevada's total gaming revenue for April, a 2% year-on-year drop, despite a 32% rise in sports betting

19.99%

The stake Melco Resorts has bought in Australian casino operator Crown Resorts, at a cost of A\$1.76bn (US\$ 1.23bn)



2019/2020



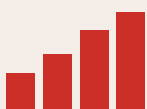
Wolverhampton Wanderers and Burnley have announced new betting shirt sponsors for the upcoming Premier League campaign

6,000

The number of bets global payments supplier Worldpay expected to see in the UK ahead of the Champions League final



2%



The year-on-year revenue growth Macau saw for May, ending the market's two-month period of decline

The US casino operator completed its deal to secure the 20% equity stake in William Hill for £38.1m back in September 2018. The 25-year partnership has granted William Hill the right to operate online sports betting under the first skin to launch via Eldorado's license.

In return, Eldorado was handed its stake in William Hill's US business, alongside 13.4 million shares in the operator's London-listed parent company.

Speaking back in September, William Hill CEO Philip Bowcock said: "Partnering with Eldorado gives William Hill access to one of the largest and most attractive casino footprints with 23 million customers across multiple states.

"Together, we are positioned to capture the evolving US opportunity – starting with land-based sports betting, extending to digital sports betting and, in some states, online gaming."

Caesars held talks with Eldorado over a potential merger in March and recent investor analysis has suggested progress in this area. *Gambling Insider* understands William Hill is in favour of the two parties agreeing a deal.

It was widely speculated Caesars will now look to strike a deal with Eldorado, having failed to agree a lucrative deal with William Hill. Tilman Fertitta is also believed to still be interested in a form of M & A between Caesars and his Golden Nugget chain, having had a reverse merger offer rejected in November.

Speaking in March, Caesars' largest individual shareholder, Carl Icahn, said: "I believe the best path forward for Caesars requires a thorough strategic process to sell or merge the company to further develop its already strong regional presence. I expect this to make Caesars the most powerful competitor in Vegas, the gaming capital of the world."

Last month, Caesars reported a 7% year-on-year rise in revenue for Q1, to \$2.12bn, amid a period of great organisational uncertainty.

William Hill reported a full-year loss of £687.9m before interest and tax at the end of March, while its adjusted operating profit was down 15% to £233.6m.

With the operator's adjusted earnings per share falling 21% to 20.6p, it is clear to see why William Hill is seeking a US partnership, as it looks to expand its growth in this key market.

FEDERAL JUDGE: WIRE ACT WILL ONLY APPLY TO SPORTS BETTING IN US

New Hampshire has won its lawsuit against the Department of Justice (DoJ), with a federal judge issuing a 60-page opinion concluding the Federal Wire Act will only apply to sports betting.

Judge Paul Barbadoro rejected the DoJ's 2018 opinion on the Federal Wire Act, which extended the prohibition of wagering-related transmissions to other forms of gaming, and announced state lotteries would remain exempt from the Act.

Jackpot games such as Powerball, which is offered in 21 jurisdictions, will be allowed to continue operations as normal.

The DoJ has the opportunity to appeal the decision, which would likely see the outcome determined by the Supreme Court.

Judge Barbadoro said: "I hereby declare the Wire Act only applies to transmissions related to bets or wagers on a sporting event or contest. The 2018 Office of Legal Counsel opinion is set aside."

New Hampshire uses its lotteries to

generate funds for education within the state, a point emphasised by its Governor in his response to the ruling.

Governor Chris Sununu said: "Today's ruling is a historic victory for the State of New Hampshire and we are proud to have led this effort. New Hampshire stood up, took action and won – all to protect public education in our state."

Of course, the DoJ's ability to appeal this ruling means it is unlikely to be the end of the matter entirely.

However, numerous US gaming execs in recent months have stated the Wire Act reinterpretation will not stand in the long term.

In April, Continent 8 CEO Michael Tobin told *Gambling Insider* the DoJ's new opinion "borders on ridiculous." More recently, SVP and Managing Director of Worldpay Gaming, Joe Pappano, also spoke to *Gambling Insider* about the US gaming industry's confidence of being unaffected by the reinterpretation.

€193.25m

Spain's online gaming revenue for Q1, up 20% year-on-year (\$217.6m)



557

The number of positions cut in the final round of MGM Resorts' strategic layoffs

£114.5m

The all-cash price Rank Group could pay to purchase Stride Gaming, following acquisition talks (\$145.6m)

INTERWETTEN CEO EXCLUSIVE: BWIN AND TIPICO SHOULD BE LOOKING AT US, NOT THE OTHER WAY AROUND

"I always wanted responsibility, to change things, instead of complaining about why CEOs or companies don't do this or that."

It's clear Interwetten CEO Dominik Beier wants to portray a go-getter attitude while speaking exclusively to *Gambling Insider*. As a 27-year-old CEO of a gambling operator, his actions speak even louder than his words.

Beier is ambitious, determined and unafraid. That, he says, is exactly what he wants Interwetten to be, too.

The company's new leader, appointed in April, tells *Gambling Insider*: "The biggest thing to achieve as a team is to be hungry again, not being happy with what we have achieved over the past 30 years."

"I think it's a management issue that, over the past two or three years, the goals and vision have been missing.

"That's the reason one of the first things I did was define new goals. Now, I feel like people are hungry

and motivated again because they want to achieve those goals."

When assessing rivals such as Bwin and Tipico, Beier uses a motoring metaphor. His intentions are very much to lead from the front.

He explains: "Interwetten was like a car driving 60-70kph on cruise control; but they were never going faster or slower."

"The first thing I said was 'guys, we have to get rid of that cruise control.' We're a privately-owned company with our own technology."

"We have to be the one Bwin or Tipico look at for a cool new product. It should not be us looking at Bwin saying we should do this or that as well. I want to be driven by innovation and improvement, not driven by the market."

Register for free here to read the full, in-depth interview with the Interwetten CEO when the July/August edition of the *Gambling Insider* magazine is published




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THIS WEEK'S WINNERS AND LOSERS

WINNERS

Illinois – The state's Senate has approved the legalisation of sports betting, with Governor J.B. Pritzker expected to sign the bill into law

Rhode Island – The state recorded its highest month for sports betting revenue for April, up 33% from March to \$2m

Gavin Isaacs – The former Scientific Games CEO has joined the Galaxy Gaming board

Paysafe – The payments provider has appointed Philip McHugh as its new CEO, who will start his new role on 24 June

B2 machines – Gross gaming yield fell 18% year-on-year for B2 fixed-odds betting terminals between October 2017 and September 2018

LOSERS

AG AND GENESIS GLOBAL BREAK BONUS LAW IN SWEDEN

Swedish regulator, Spelinspektionen, has fined AG Communications and Genesis Global for offering recurring bonuses on their websites.

Since the re-regulation of the market, operators with a Swedish license may only offer customers bonuses at the first game opportunity.

The Gaming Inspectorate has found AG Communications and Genesis breached this law, fining the companies SEK 500,000 (\$53,000) and SEK 1.7m respectively.

According to gaming legislation, an offer of more than one bonus is sufficient for the license holder to have violated the clause.

AG communications provides games on a selection of websites including karamba.com, mrplay.com, spinson.com and vikingslots.com. Genesis also has a long list of websites it provides games for, including genesiscasino.com, vegashero.com and casinogods.com.

This is Genesis' second fine in the new Swedish market. It first received an official warning and levy of SEK 4m for self-exclusion failings on 22 March.

The sanctions related to the company's failure to join the mandatory self-exclusion register Spelpaus.se.

AG Communications and Genesis were not the only companies to face reprimand for breaking bonus law this year. On 16 May, the Gaming Inspectorate found Betway and Mandalorian Technologies to have committed serious violations of the legislation.

As a result, both companies were warned and fined, Betway's penalty setting the operator back SEK 5m, while Mandalorian's fine totalled SEK 9m. Operator Paf was this year hit with a self-exclusion-related fine, to the amount of SEK 100,000.

Spelinspektion wrote a letter to operators in February regarding failures to comply with legislation, specifically regarding bonus offers.

The Gaming Inspectorate noted some compliance from licensees, but the overall assessment said further measures must be taken to achieve full compliance.

THE WEEK IN QUOTES

"When it's looked at from specific regular jurisdictions that do allow access to cash in the form of debit cards, it probably should not be allowed. Basically, they are gambling with debt. If they don't have the cash to play, they shouldn't be playing."

Gamban Managing Director Daniel Umfleet discusses credit card gambling with Gambling Insider

"What online slots do offer is freedom at your fingertips to play a large variety of titles whenever and wherever you want. What's missing is the bells and whistles."

Newgioco CEO Michele Ciavarella speaks to Gambling Insider, comparing online slots to its land-based counterpart

"The reduce-all-gambling rollercoaster is on its way. The shift to a public health approach to problem gambling will see education and advertising campaigns to try and stop or dramatically reduce every form of gambling, but this will mostly target online."

Consultant Steve Donoghue predicts the changes facing the industry this year while in discussion with Gambling Insider

UK NATIONAL LOTTERY SALES UP FOR 2018/19

Camelot, operator of the UK's National Lottery, has announced ticket sales of £7.21bn (\$9.15bn) for the 12 months ended 31 March, an increase of 4% year-on-year.

Camelot's performance for the financial year saw it generate £1.65bn, excluding investment returns, for good causes.

Throughout the year, Camelot awarded £4.13bn in prize money to its players, as well as creating 406 brand new millionaires.

National Lottery's digital sales hit a record £1.83bn, following investment into its digital channels and improvements to the National Lottery mobile app.

Scratch cards and online instant win games also recorded all-time high figures, growing 10% to £3.13bn.

Retail has remained the largest sales channel for National Lottery, with almost 75% of total sales coming through in-store terminals.

Sales during this period reached £5.4bn, a rise of 1%.

Camelot announced plans to boost its sales force and make sure more National Lottery games are to become available at self-checkouts to help improve the speed and service of sales.

Camelot spent 4% of its total revenue on operations, making the company one of the most cost-efficient major lotteries in Europe. Nigel Railton, Camelot CEO, said: "We've spent much of the last 12 to 18 months getting our draw-based games back in good health, with a more balanced portfolio that now offers something for everyone; and making improvements to our scratch cards and online instant win games in terms of product design, range, merchandising and availability.

"I'm delighted the foundations we've put in place and the initiatives we've already implemented are paying off."

MD FALLS

Maryland had a rare sight in May, as gaming revenue fell 2.73% year-on-year. That was the first time the Old Line state fell since November 2015.

Churchill Downs' Ocean Downs in eastern Maryland continued to benefit from the addition of table games and 100 more slots, which were added on New Year's Day last year.

May marked the first month MGM National Harbor declined year-on-year since opening.

MARKET/PROPERTY	REVENUE (M)	(%) CHANGE
Ocean Downs (CHDN)	\$7.237	+12.51
Live! (Cordish)	\$53.498	+2.84
Hollywood Casino (GLPI)	\$6.913	+1.86
Rocky Gap (GDEN)	\$4.946	+0.16
National Harbor (MGM)	\$59.122	-5.10
Horseshoe Baltimore (CZR)	\$20.559	-14.61
State total	\$152.276	-2.73
SLOT REVENUE		
Ocean Downs (CHDN)	\$6.483	+10.06
National Harbor (MGM)	\$34.346	+9.04
Live! (Cordish)	\$37.030	+3.11
Rocky Gap (GDEN)	\$4.384	+2.50

MARKET/PROPERTY	REVENUE (M)	(%) CHANGE
Hollywood Casino (GLPI)	\$5.913	flat
Horseshoe Baltimore (CZR)	\$12.495	-4.39
Slot Total	\$100.651	+4.24
TABLE REVENUE		
Ocean Downs (CHDN)	\$0.755	+39.21
Hollywood Casino (GLPI)	\$1.000	+14.45
Live! (Cordish)	\$16.468	+2.24
Rocky Gap (GDEN)	\$0.562	-14.96
National Harbor (MGM)	\$24.776	-19.56
Horseshoe Baltimore (CZR)	\$8.064	-26.75
Table Total	\$51.625	-13.95
BALTIMORE/WASHINGTON AREA		
Live! (Cordish)	\$53.498	+2.84
National Harbor (MGM)	\$59.122	-5.10
Horseshoe Baltimore (CZR)	\$20.559	-14.61
Baltimore/Washington Total	\$133.180	-3.77



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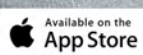
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GUEST COLUMNIST



YOSSI BARZELY
CHIEF BUSINESS
DEVELOPMENT OFFICER,
PRAGMATIC PLAY

Barzely discusses the importance of the live casino vertical

Live casino has existed for many years in online gaming. It is a must-have vertical for operators globally, providing the perfect confluence between land-based and online play, and it is an unparalleled acquisition and retention tool if deployed seamlessly as part of a targeted market strategy.

With live casino holding such an important position between the traditional casino experience and online gaming, it can be deployed as a crucial cross-sell tool.

With an emphasis on instant gratification in the modern-day online casino sector, live casino offers a tangible casino experience at the click of a button or swipe of a finger. Beyond that, live casino is growing with many new features relevant to the modern player, including additional in-game promotions, instant win elements and free bonuses upon signing with an operator.

This smooth experience of the casino environment in an online domain can serve as an excellent conduit between players of all interests and demographics, given the human element with which it is presented to the player. A sports bettor can easily be offered live casino content to “snack” on between sporting fixtures.

The market is ripe for new innovations in the live casino space, with providers using the latest technology to deliver the level of graphical fidelity and gameplay immersion the modern player requires.

TAKING ADVANTAGE OF TECHNOLOGICAL TRENDS

The advancements brought by investment in the latest technology are worth focusing on. A decade ago, pointing a single camera in the direction of a table for an experience consumable only on desktop was the norm. Now, through the latest 4K camera technology, the live casino vertical is more immersive and interactive than ever. Multiple HD cameras can focus on a game at any one time, offering

unparalleled levels of player immersion thanks to the ability to select their preferred or multiple viewpoints.

While technology has improved to enhance the live casino experience, the most important aspect of making it an engaging experience is the dealers. Professional dealers are key in ensuring the traditional casino experience is replicated in the online world, and significant investment and funding is seen in the training of this key component. This has led to live casino being a pre-eminent form of mobile casino entertainment, with high levels of engaging gameplay.

Another important step in the evolution of live casino is the development of dedicated operator environments. This has turned previously plug-in solutions into operator-focused, immersive environments geared towards giving players a unique, brand-oriented and personalised live casino experience. Branded environments have long been a core part of live casino delivery for several industry providers. However, through Pragmatic Play's offering, tailored solutions have never been more comprehensive in their customisation options, or simpler to effectively deploy.

The Pragmatic Play live casino environment, with its customisable solution, offers a hassle-free path for operators, as they know they are getting a state-of-the-art product customised to their exact needs and desires. Live casino is already a rapidly expanding avenue for operators, and it is now possible for them to treat online casino as far more than a simple bolt on. They can integrate it far more closely into their offering, and the potential this offers is ripe for operators with the capacity to grasp it.

Innovation has always been essential for online gaming and live casino is experiencing a resurgence. It is an established vertical, but to take it to the next level will require providers carefully heeding operator feedback, and delivering products which can be tailored to the needs of their consumers.

“A decade ago, pointing a single camera in the direction of a table for an experience consumable only on desktop was the norm. Now, through the latest 4K camera technology, the live casino vertical is more immersive and interactive than ever”

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