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WEEK 31

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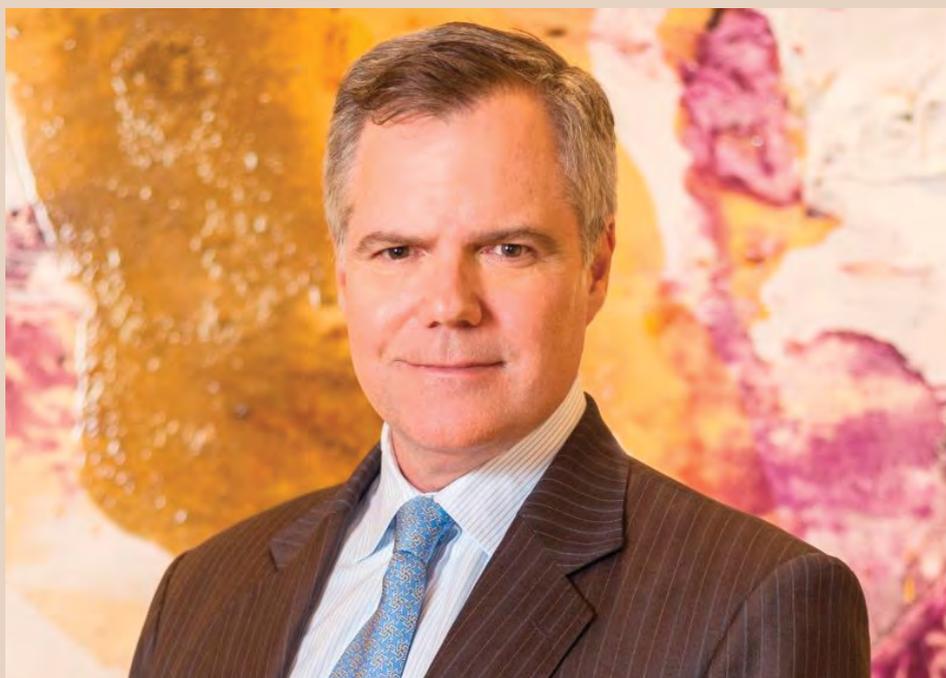
MGM CEO EXCLUSIVE: CAESARS, KIRK KERKORIAN, THE BELLAGIO AND MORE

THIS WEEK

- Paddy Power campaign branded “ludicrous”
- North Carolina legalises sports betting
- French online revenue up
 - FanDuel launches in Pennsylvania

GUEST COLUMNISTS:

- Dmitry Starostenkov, CEO, EvenBet Gaming
- James Bentley, Séamus McGowan (KPMG), and Lars Nesheim (UCL)



Jim Murren wants the \$17.3bn merger of Eldorado Resorts and Caesars Entertainment to succeed, as “what’s good for Las Vegas is good for MGM.”

Speaking to *Gambling Insider* for the upcoming US CEO special, the MGM Resorts International Chairman & CEO had nothing but praise for Caesars’ philanthropic philosophy.

While Murren acknowledged the transition will not be an easy one for Eldorado and Caesars, he sought inspiration from past mentor Kirk Kerkorian in cheerleading his competitors.



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THIS WEEK IN NUMBERS



\$846.1m

Boyd Gaming's Q2 revenue, up 37%

£23m

The amount FSB Technology received in capital investment from Clairvest Group (\$27.9m)



\$435m



The total figure processed at an illegal gambling ring in Vietnam, shut down by police this week

\$3.2bn

MGM Resorts' Q2 revenue, an increase of 13%



The number of operators in Sweden that have seen their licenses extended to three years

During an hour-long interview in Las Vegas, the CEO told *Gambling Insider*: "I have buddies at both Eldorado and Caesars. It's a very big combination. It's going to take a long time to completely integrate. I am rooting for them.

"I was taught by Kirk Kerkorian, who always said what's good for Las Vegas is good for MGM. We are the biggest cheerleaders of our competitors.

"Caesars has always been, here in Nevada, one of the greatest corporate citizens: philanthropic, volunteer-oriented and MGM has always been aligned with that philosophy. I hope it continues.

"As someone that has acquired two large companies – Mirage Resorts in 2000 and Mandalay Resort Group five years later – I know how difficult that is. I don't have any illusions as to this being an easy combination."

Murren does see opportunities for MGM being borne out of the \$17.3bn deal. However, as stated during the operator's Q2 earnings call, MGM has "no interest" in acquiring any Caesars assets.

The CEO explained: "There will be some opportunities for MGM, both in terms of talent and customers.

"I wish them the best, because the worst outcome for us at MGM is if they get distracted and don't succeed, because that will impact the competitive landscape out here.

"We have no interest in acquiring any of the Caesars assets. We had no interest before the Eldorado purchase and we certainly have no interest to acquire any of the properties now; we like what we have."

In terms of assets, recent reports suggested MGM might be considering selling two of its landmark properties: the Bellagio, in which our interview with Murren takes place in the Chairman's suite, and the MGM Grand. Murren however, is adamant the casino operator would "never consider selling" either property. Instead, selling the properties' real estate is all the company is evaluating.

He said: "We would never consider selling the Bellagio or MGM Grand for someone else to run it. The idea we're evaluating at MGM Resorts is: do we need, as the operator and employer, to own the real estate of this building, or do we sell the real estate to somebody else and continue to operate it?"

"Under no scenario have we ever considered selling the Bellagio to someone else. We do believe our real estate is vastly undervalued in our stock. We feel a duty to explore whether or not there's a better way to unlock value."

By the end of the year, MGM may have some concrete plans in place to inform the public of.

Murren adds: "I think we've concluded we don't need to own every bit of real estate to effectuate our business plan. That's why we've had a committee working on this since January.

"I think, over the next few months, we will zero in on a few ideas, which we will be able to speak to the public about, probably at the end of the year."

The full interview with Murren will be published in the September/October edition of *Gambling Insider* magazine, available both online and in print, with copies distributed at G2E.



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\$1.04bn

Nevada total gaming revenue for June, up 12%



\$3.3bn

Las Vegas Sands' revenue saw a rise of 0.9% for Q2

£22.5m

Nektan's full-year revenue for the 2019 financial year (\$27.2m)



GAMING ANALYST: PADDY POWER CAMPAIGN IS "LUDICROUS AND FULL OF HOLES"

Kevin Dale, Director at analyst firm Gaming Monitor, believes the efforts of Paddy Power's Save Our Shirt campaign are not based on real convictions and will divide the industry.

Paddy Power, a Flutter Entertainment-owned brand, is promoting the campaign by sponsoring football clubs without having its name placed on team shirts.

So far, the English Championship's Huddersfield Town, English League One's Southend United, English League Two's Newport County and the Scottish Premiership's Motherwell have all partnered with Paddy Power as part of the campaign.

Many of these agreements followed a prank where Paddy Power's name was displayed as a sash across Huddersfield's shirt for a pre-season friendly.

But Dale has a warning for operators as to how regulation can develop off the back of these marketing strategies.

Dale told *Gambling Insider*: "I really do think this is ludicrous, and for a number of reasons.

"It smacks of desperation. It looks like a PR stunt that isn't based on real

convictions. It divides the industry. It has no moral logic and is full of holes. Why is it only including football sponsorship and not other sports?

"Why does it only include shirts and not other sponsorship assets? Why does it only encompass the UK and not other countries?"

Paddy Power's campaign follows operator GVC Holdings' commitment to end all football shirt sponsorships of UK teams earlier this summer.

Dale added: "Let's not forget football clubs, especially the smaller ones, do need sponsorship cash. Paddy Power's gimmick will only reduce overall cash being put into sport. As the biggest sponsoring sector, if all betting companies pull out of shirt sponsorship, the value of shirt assets will decline.

"Once we start adopting and promoting our own marketing restrictions like this, all it means is regulators are emboldened.

"Buoyed up by the industry's own petty, piecemeal stunts, there's no limit to what they might expect us to comply with."

THIS WEEK'S WINNERS AND LOSERS

WINNERS

DraftKings – Was named MLB's authorised gaming operator

MansionBet – Secured a two-year deal to become Newcastle United's official UK betting partner

Rebecca Pow MP – Will oversee both the horseracing and gambling sectors following her appointment as Parliamentary Under Secretary of State for Arts, Heritage and Tourism

Ladbrokes Coral – Was fined £5.2m (\$6.3m) for anti-money laundering and social responsibility failures

LOSERS

NORTH CAROLINA GOVERNOR LEGALISES SPORTS BETTING

North Carolina has become the seventh state to regulate sports betting this year, after Bill S 154 was signed into law by Governor Roy Cooper.

The legislation allows the Eastern Band of Cherokee Indians to operate retail sports betting at its two casinos in the Appalachian Mountains.

Brian Saunooke, Vice President of Marketing for the casinos, believes it will take several months before a sports bet can be wagered in North Carolina.

He said: "By late fall, football will be in full swing. That's an exciting time for sports bettors in general. We will be looking at other sports as well. We expect to have a full offering similar to what you would have in other markets, like Las Vegas."

The bill, sponsored by Senator Jim Davis, was widely supported by both parties as it moved through North Carolina's legal process.

The Cherokee tribe has a monopoly on gambling in the state, and sports betting was added to the tribe's list of authorised Class III games.

There are no integrity fee terms included in the legislation and players are free to bet on any sporting event, after a request to ban wagers on in-state college teams was rejected.

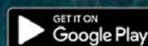
While mobile sportsbooks are not permitted, a separate bill looking into state-wide retail implementation is close to completion.

Recently acquired by Eldorado Resorts, Caesars Entertainment operates the two Cherokee properties in the state – Harrah's Cherokee and Valley River.

North Carolina certainly won't be the last state to regulate sports betting in the coming months, with the vertical coming on leaps and bounds since the repeal of PASPA in May 2018.



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THE WEEK IN QUOTES

"In May, we released designs of our proposed Osaka integrated resort – City of the Future. We have also participated in the Yokohama RFI and will participate in the Osaka RFC."

Melco Resorts and Entertainment CEO, Lawrence Ho, details the operator's plans for Japan in its Q2 report

"Pass rates have failed to meet the standards expected and the sector has consistently performed to levels below those we see in other gambling and age-restricted products. By way of example, over the past four years, the on-course sector has a pass rate of around 35% for Think 21 testing."

Richard Watson, Gambling Commission Executive Director, on age verification failures at on-course sportsbooks

"As our sport continues to grow, it's important we monitor developing trends and ensure we have the necessary mechanisms in place to account for shifts in our industry. This partnership with Sportradar enables us to protect our players, teams and competitions."

Doug Watson, Head of Esports Insights at Riot Games, on the integrity deal signed between the two companies

STRONG Q2 HELPS FRENCH ONLINE GAMING REVENUE GROW FOR H1

French gambling regulator Arjel has reported a 20% year-on-year increase for H1 2019 revenue, due to a strong period of growth from sports wagering in Q2.

Overall revenue for Q2 was up 14% to €343m (\$378.7m), with a total of €214m coming from online sports betting alone, an 18% rise.

Football dominated Q2, with French bettors wagering a total of €623.9m, a 6% overall increase in comparison to Q1. France's men's World Cup victory in 2018 may have inspired greater wagering activity within the market.

Ligue 1 attracted the most attention, with a total of €76m wagered, as more Ligue 1 football matches were played during the three-month period in comparison to Q1.

The women's World Cup, hosted in France, brought in €48.7m. French bettors also wagered a

total of €62.7m on the Champions League, as the competition reached its latter stages.

In Q2, a total of 13 licensed operators reported €1.2bn in turnover.

The number of active players rose 4% year-on-year, from 136,000 to 142,000. The licensed operators continue to use bonuses to attract new players, spending a total of €43m on promotions during Q2. A further 4% was spent on sponsorship deals.

Bets placed on horseracing slightly improved, generating €269m on licensed sites, a 1% increase quarter-on-quarter. Due to the increased player activity, horseracing revenue grew to €66m.

Poker endured a strong Q2 across both cash games and tournaments. Tournament fees were €546m and stakes increased by €1.01bn for cash games.

FANDUEL LAUNCHES MOBILE SPORTSBOOK IN PENNSYLVANIA

FanDuel has launched its sportsbook app in Pennsylvania, in partnership with fellow operator Boyd Gaming and its Valley Forge Casino Resort property.

Pennsylvania becomes the second state in which FanDuel will operate its online and mobile platform, following New Jersey.

DraftKings, FanDuel's main competitor in New Jersey, is yet to offer a sportsbook app in Pennsylvania, but a future launch is expected.

FanDuel initiated a multi-channel marketing campaign to promote the launch, including TV, digital and radio ads. The app is available on iOS and Android platforms, with in-play betting and what it describes as fast payout options.

FanDuel said it will pull on its experience from New Jersey and focus on customer experience in this new market. FanDuel launched its first retail sportsbook in New York at Tioga Downs Casino Resort in Nichols last week.

The other companies currently operating sportsbook apps in Pennsylvania are SugarHouse, Parx and BetRivers.

Sugar House, powered by Rush Street, became the first legal sportsbook and casino website live in Pennsylvania to enable betting from iPhone users.

Apple recently announced any app available on its app store must be written using the company's iOS coding. Most gambling apps are constructed using HTML5, which is easily launched and integrated.

The ban prevented operators from fully entering markets that had regulated online verticals, restricting them to players using Android platforms. However, Rush Street Interactive has used an iOS-powered geo-location app.

Once registered, players will be directed to download the GeoGuard Location Validator from the Apple app store, which will confirm they are located in Pennsylvania.

NV, STRIP SIZZLE

Gaming revenue rose double digits year-on-year for Nevada and the Las Vegas Strip for June, halting a five-month streak of revenue decline.

It was the highest month of growth for both the state and the Strip since August 2017.

The Strip benefitted from baccarat, which more than doubled last year's revenue on high hold and higher play.

Baccarat would have risen 20.2% with last year's hold.

The strip would have risen 2.05% with baccarat factored out.

Downtown Las Vegas led all areas with 18.55% growth. It was Downtown's fifth straight month of growth and its best month since December.

June had nine Fridays and Saturdays this year versus 10 last year, but with one more Sunday.

COMPONENTS OF STRIP PERFORMANCE

MAJOR STRIP SEGMENTS				
MARKET/PROPERTY	REVENUE (M)	(%) CHANGE	WIN PERCENTAGE	
			2019	2018
Blackjack	\$68.719	-12.99	14.09	13.81
Baccarat	\$156.685	+116.78	20.89	11.59
Total games	\$336.215	+24.71	17.71	14.42
Slots	\$280.378	+10.24	7.84	7.66

TABLE DROP

MARKET/PROPERTY	2019	2018	WIN PERCENTAGE
Blackjack	\$487.715	\$571.868	-14.72
Baccarat	\$750.048	\$623.641	+20.27
Total games	\$1.898 BN	\$1.870 BN	+1.54

RACE BOOK AND SPORTS POOL

MARKET/PROPERTY	REVENUE (M)	(%) CHANGE	WIN PERCENTAGE	
			2019	2018
NEVADA				
Racebook	\$3.318	-19.07	15.02	15.60
Football	-\$0.637	N/A	-60.56	-24.32
Basketball	\$0.946	N/A	1.84	-1.90
Baseball	\$11.606	-0.03	5.56	6.35
Sportsbook total	\$16.587	-17.78	5.15	7.04
CLARK COUNTY				
Racebook	\$24.556	-19.15	15.00	15.72
Sportsbook total	\$15.793	-22.71	4.92	7.15

MARKET/PROPERTY	REVENUE (M)	(%) CHANGE
Nevada	\$1.041 BN	+11.57
Las Vegas Strip	\$616.593	+17.69
Clark County	\$906.681	+14.63
Downtown LV	\$52.178	+18.55
North LV	\$22.779	+13.03
Laughlin	\$39.413	+8.41
Boulder Strip	\$66.645	+9.45
Mesquite	\$9.739	+2.91
Balance of County	\$99.334	+3.28
Las Vegas locals market	\$188.758	+6.51
Washoe County	\$69.814	-10.15
Reno	\$50.968	-14.05
Sparks	\$11.273	+0.17
North Lake Tahoe	\$2.126	-4.23
Balance of County	\$5.447	+10.57
South Lake Tahoe	\$16.461	-12.05
Elko County	\$25.297	+5.75
Wendover	\$17.037	+5.43
Balance of County	\$8.260	+6.42
Carson Valley Area	\$9.397	+3.44
Other areas	\$13.344	+5.77

GUEST COLUMNIST



DMITRY STAROSTENKOV
CEO, EVENBET GAMING

Starostenkov looks at the pros and cons of Asian localisation

As the gaming market's regulatory rope both tenses and slackens worldwide, a fine line exists between challenge and opportunity.

Some problems can feel like unnecessary headaches, while others are well worth getting your head around. At EvenBet Gaming, we're committed to finding the most straightforward path through the woods in an ever-evolving legislative landscape.

Of course, when you base much of your business model around emerging markets, staying flexible is the name of the game. After all, if you attempt to target everyone, you're actually targeting no one. So, with so many competing considerations, you always need to act local, even if you're planning with international scope.

Player preferences and behaviour can vary hugely across the planet. Therefore, as with any territory, it's vital to frame a progressive suite of games with the correct game mechanics which can deliver on cultural taste. An instructive example is provided by Asia, where the fragmentation in game design and regional differences (be they the result of subjective taste or regulatory requirement) can always surprise. If you just went in with a "panacea" portfolio, you would quickly find the limited number of mechanics or promotion types would short-change both client and customer.

If EvenBet simply offered an operator with global aspirations Texas Hold 'em, Omaha, a few free rolls and a timetabled tournament, then told them to go off and conquer the poker world, they would soon return the package.

So, it's worth remembering in life no matter how supposedly successful you are, it's possible to not know what you're missing out on. This is why we put player preference at the core of everything we do and develop.

Long story short, today's Asian market is unrecognisable from where it began nearly 20 years ago; poker has only begun to reach a numerical tipping point during the past couple of years. This means a lot of untapped poker promise is there to be harnessed across Asia. The recent big bang in Chinese poker clubs, combining complementary online and offline activities, also accounts for the vibrant marketplace we currently see.

Needless to say, a truly global reach presupposes a near-unlimited audience with all the accompanying

revenue. But serious risks, like money laundering, can sometimes lurk in the shadows of such promise. The merits of KYC convention have thus never been more pressing or advantageous if you can set the dials correctly.

As for effectively profiling the markets themselves, it's all about local knowledge. What do your customers here like to play? Where and when do they want to play? You cannot answer these questions precisely when speaking globally. The rub, of course, is that if you tailor your offering accurately for one audience, you will surely recruit fewer people to your database. However, the life-time value of that audience will be far better – simply because players are enjoying the product more.

Asian operators want a very different portfolio to the "traditional" game provision of Europe. For example, if you don't have the fish game in China, there's little chance of thriving. We also had to develop pai gow poker for the same market.

It's a similar story in other territories – just take the rummy card game we've specifically customised for India's emerging market this year, or the pachinko parlours that are ubiquitous across Japanese cityscapes, as instructive examples. You need to know what works where. European tastes remain more homogenised.

Players are generally more tech-proficient and more demanding in Asia. But this means they're also much more willing to explore new products and move in tandem with technological advances. As smartphone software and take-up rates rise, the underlying interfaces are now increasingly there to activate this savvy consumer base.

While gaming operators and vendors in Europe are still battling the headwinds of diverse restrictions, Asia's flair for gaming start-ups progressively demands tailored, localised solutions. Being able to flexibly adjust in this crucial domain could prove the difference between securing market share and falling short.

"If EvenBet simply offered an operator with global aspirations Texas Hold 'em, Omaha, a few free rolls and a timetabled tournament, then told them to go off and conquer the poker world, they would soon return the package"

GUEST COLUMNIST



JAMES BENTLEY
ASSISTANT MANAGER,
KPMG UK

SÉAMUS MCGOWAN
MANAGER, KPMG ECONOMICS

LARS NESHEIM
READER IN ECONOMICS,
UNIVERSITY COLLEGE LONDON

The KPMG team looks at what drives gambling participation

What types of people are more likely to participate in gambling? Straightforward analyses of large-scale surveys allow us to calculate how many people engage in gambling activities. But can we use the rich information on consumer demographics and gambling participation available, combined with modern data science tools, to improve our understanding of what influences an individual's decision to gamble or not?

The answer to the latter question is yes.

We are using a suite of data analysis tools to dramatically improve predictions about propensity to gamble. These tools can help uncover interesting patterns describing how age, gender, lifestyle and other factors are related to an individual's likelihood of gambling.

The data we use is from the Gambling Prevalence Survey 1999 and the Health Survey for England – not the rest of the UK – from 2012, 2015, and 2016. These surveys contain detailed information on gambling participation in a range of gambling activities, including lotteries, horseracing, sports betting, land-based casinos and online casinos. The surveys also include a wealth of information on demographic factors including age, gender, employment, health, household structure and lifestyle factors.

Our research is still in its initial stages, but already we are seeing some clear relationships emerge. Using the 1999 data, we find that, unsurprisingly, men are more likely to gamble than women and an individual's propensity to gamble declines with age. Moreover, we find married people are least likely to gamble.

These initial results are highly suggestive both economic factors and socio-cultural factors are important determinants of propensity to gamble.

From 2012 to 2016, with the availability of additional information on each individual, we are able to identify further

relationships. Those with learning difficulties are less likely to gamble and we find no evidence of a relationship between mental health and the probability of gambling. There is some regional variation; the propensity to gamble is lower in London, the South East and the South West of England, for example.

We are continuing to work on our models and are particularly keen to understand the impact ethnic background, income and levels of education have on an individual's propensity to gamble.

To undertake this analysis, we used three different model types:

1) Logistic regression - a model that estimates the relationship between independent variables and the probability with which an individual gambles.

2) Random forest - a decision tree-based algorithm used to predict the probability of an individual gambling.

3) Kernel density estimation - a nearest-neighbour approach to predicting the probability of gambling; this is an approach increasingly used in emerging literature.

For each model, we have run a number of tests to understand how they perform. We find all three do better than simple random assignment, suggesting the demographic and socio-economic factors assessed do influence an individual's probability of gambling

The logistic regression and the random forest model do equally well, but the kernel density estimator dramatically outperforms the other two. These findings illustrate that new tools from data science and econometrics can dramatically improve the ability to predict outcomes such as propensity to gamble.

The results highlighted above, as well as others starting to emerge, illustrate demographics, economics, lifestyle and culture are all important determinants of individuals' gambling participation.

Psychological, economic and sociological models seeking to understand gambling behaviour should do their best to understand how these elements interact. Gambling firms seeking to understand their customers should analyse these factors more closely.

Regulators seeking to ensure the market operates well, protecting the interests of both customers and firms, should also seek to understand these factors more closely.

Once a better understanding of the factors that influence whether or not an individual is likely to gamble is gained, different types of interactions with consumers, including those raising awareness of potential gambling issues, can become more targeted.

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