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WEEK 32

FRIDAY 9 AUG 2019

H1 REVENUE UP FOR FLUTTER, DESPITE FALLS IN PROFIT AND EBITDA

THIS WEEK

- **32Red makes Wayne Rooney move**
- **Global Gaming Awards Shortlist fully decided**
- **H1/Q2 round-up: Konami, Caesars, Wynn & more**
- **Veikkaus “really sorry” after marketing backlash**

GUEST COLUMNIST:

- **Alastair Graham, CEO, AgeChecked**



Flutter Entertainment (formerly Paddy Power Betfair) reported a strong revenue rise for H1, countered by a fall in EBITDA and significant drop in profit.

Group revenue for the operator was up 18% year-on-year to £1.02bn (\$1.24bn), with significant growth in Australia and the US.

However, retail revenue shrunk by 4% and the 8% rise in overall online revenue was chiefly due to Flutter’s acquisition of Adjarabet in Georgia.

In the retail sector, sportsbook stakes rose 4% to £907m and net revenue



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THIS WEEK IN NUMBERS



42

The number of football sponsorships GVC Holdings has donated to GambleAware as part of its responsibility drive

20%

The year-on-year rise in bets placed on Oddschecker's website, detailed in its H2 results



2019/20



Genius Sports was appointed Serie A's exclusive data supplier, starting this football season

116

The number of arrests made by Thai police after raiding an illegal casino in the Bang Bo district



4%

The year-on-year decrease in gross gaming revenue at Macau's casinos for July, which totalled MOP24.4bn (\$3.01bn)

was up just 0.1%. Machine gaming revenue fell 21%, no doubt affected in Q2 by the UK government's reduction of fixed-odds betting terminal maximum stakes from £100 to £2.

Underlying retail EBITDA was down 26% to £26m, while underlying retail operating profit fell 37% to £15m.

Online results fared better for Flutter, with net revenue up 0.2% despite total stakes falling 2% to £2.68bn.

Gross profit in this sector rose 2% to £359m, while underlying operating profit fell marginally (3%) to £118m. Underlying EBITDA for online dropped 2% to £139m.

Overall underlying EBITDA for the group fell 10% to £196m, which Flutter attributes to an incremental £47m in taxes and duties; excluding these, the group says underlying EBITDA was up 15%.

It was Flutter's profit levels which showed the largest decrease, down 24%, although the operator still made £81m for H1.

One of the reasons provided by the group was the "seasonality of the US business," where customer acquisition investment in both fantasy sports and sports betting was higher ahead of the NFL season – which starts in September.

Peter Jackson, Flutter Entertainment CEO, said: "All divisions are performing strongly on an underlying basis and have responded well to the challenges faced. We are pleased with the progress we are making to build a more diversified and sustainable business."

Flutter's revenue increase for H1 is an improvement on the full-year figures the operator posted for 2018. In March, before its rebranding from Paddy Power Betfair, the company posted a 9% year-on-year increase in revenue to £1.9bn.

Following a similar theme though, underlying EBITDA had fallen 5% to £451m for the trading period.

Providing a regional breakdown, Jackson explained: "In Europe, Paddy Power's recreational focus and great marketing execution has helped deliver continued growth in customers. The build out of functionality for Betfair continues to make good progress, with sportsbook country-specific pricing launched, along with additional languages and currencies.

"In Australia, Sportsbet's ongoing delivery of innovative products, appealing marketing and recreational focus has led to excellent performance. Our decision to increase investment ahead of the introduction of point of consumption tax has been vindicated, with Sportsbet's earnings close to flat despite this very significant tax increase."

Flutter's share price rose from £6.20 to £6.35 in light of its H1 trading update. But it had steadily fallen from £6.58 during the first week of August.

In 2018, the group's share price peaked at £9.10 in May, likely due to its acquisition of US brand FanDuel, which continues to perform well for the operator today.

On FanDuel, Jackson added: "In the US, our FanDuel brand and product proposition enabled us to take 50% of the sports betting market in New Jersey in H1. We are delighted with this performance and have been encouraged by the regulatory momentum that has seen 10 states regulate online sports betting since the repeal of PASPA."

Paddy Power, one of Flutter's flagship brands, recently embarked on a "Save Our Shirt" campaign which has seen it sponsor football clubs while leaving their shirts blank. The move is one gaming analyst Kevin Dale thinks will divide the industry.

He previously told *Gambling Insider*: "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."

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30 million

The market size accessible through each of Japan's three licenses, according to MGM Resorts President and COO Bill Hornbuckle



2019

Penn National Gaming CEO Timothy Wilmott will retire at the end of the year

€18.4m

Enlabs' Q2 revenue, a 31% increase year-on-year (\$20.6m)



WAYNE ROONEY TO WEAR NUMBER 32 AS PART OF 32RED'S DERBY SPONSORSHIP

Wayne Rooney will wear the number 32 shirt when he joins the English Championship's Derby County in January as part of the club's partnership with 32Red.

The Kindred Group-owned operator already sponsored the English Championship football team's shirt going into the 2019/20 season.

However, 32Red has now extended its deal with the club to include the shirt number of the England national team's record goalscorer.

Derby County Executive Chairman, Mel Morris CBE, said: "Obviously, the commercial opportunities this creates are widespread and significant. On the back of Wayne joining the club, we have just been offered a record-breaking sponsorship deal with our principal shirt sponsor, 32Red.

"We are keen to leverage Wayne's involvement and the support of 32Red with our community initiatives, expanding work such as the Team Talk

mental health programme, which is supported by our Community Trust and 32Red."

Gambling Insider has been told reports 32Red is contributing to some of Rooney's wages are wide of the mark.

When contacted for comment, Neil Banbury, 32Red General Manager, said: "This record-breaking sponsorship agreement is a significant step for us as we continue to reinvent the model of sponsorship to benefit both club and community.

"Our partnership with Derby County Community Trust and the extended relationship with Derby County Football Club shows a new model for football club sponsorship is possible."

Rooney said: "To be honest, the number I wear is not a big deal. I've worn many numbers throughout my career. For me, the important thing was to come back and help the team; the number isn't a big deal whatever it is."

THIS WEEK'S WINNERS AND LOSERS

WINNERS

Kambi – Secured a multi-year partnership with Penn National Gaming

Scientific Games – Launched sportsbooks at two Oneida Indian Nation casinos in New York

Formula 1 – Will commence offering in-play odds in 2020

BetConstruct – Boosted its esports offering to include 10 new major championships and thousands of live monthly events

Bwin – Was fined €350,000 (\$391,612) by the Dutch regulator for offering online gaming ahead of the regulated market's launch

LOSERS

GLOBAL GAMING AWARDS LAS VEGAS 2019 SHORTLIST FULLY DECIDED

The Global Gaming Awards Las Vegas 2019 Shortlist has been fully confirmed and nominated companies are now being contacted.

Now in their sixth year, the Global Gaming Awards Las Vegas recognise and reward operational excellence displayed across a 12-month period.

Being nominated for an Award is an outstanding achievement and is clear proof a gaming industry member is among the very best in the world.

The Shortlist has been compiled after a self-nomination process, which was followed by recommendations made by the Nominations Panel and the *Gambling Insider* editorial team.

Nominated companies will now have the opportunity to submit a supporting statement to the Judging Panel, which is made up of some of the industry's most esteemed executives and will feature more than 100 individuals this year.

The Judging Panel will then cast their votes, before the winners are revealed at a luncheon ceremony at the Sands Expo Convention Center on Monday 14 October, as part of the G2E show.

The full list of nominees will be revealed in this year's Global Gaming Awards Las Vegas Shortlist magazine, which will be sent to all *Gambling Insider* members and distributed at G2E.

You can read the magazine online by visiting this website when it is live and by downloading the *Gambling Insider* app, available on iOS and Android.

The Global Gaming Awards Las Vegas are powered by *Gambling Insider* in association with G2E. The voting process is independently adjudicated by KPMG Isle of Man to ensure full transparency and the Awards' Lead Partner is BetConstruct.

To see what shortlisted companies have said about their nominations, or to post about your own, use #GGA2019.



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THE WEEK IN QUOTES

"I think customers have been offered the same types of markets for years; winner each way, betting without and some place markets. Nobody has pushed the boundaries on it too much. Traditional horseracing punters favoured that type of betting, but the newer, younger punters are looking for a quicker type of market."

Mark Hughes, CEO at Banach Technologies, tells Gambling Insider what horseracing needs in the modern market

"In Manchester City and Marinos we have found perfect partners, businesses that excel at entertaining, while putting community first. Melco's connections to Japan run deep, so being able to support grassroots community programmes across the country is an exciting opportunity for us all."

Lawrence Ho, Chairman and CEO of Melco Resorts and Entertainment, on its partnership with Manchester City

"The legal side of Swedish gambling was state-run, by the lottery, but it didn't mean people weren't gambling. I read recently that, back in the 11th century, there was a land dispute settled by Sweden and Norway over a roll of dice. So people are going to be doing it anyway and, if it's illegal, it just means it's going to be unregulated."

Kate Owen, Digital Element's VP of Northern Europe, discusses why it was important to regulate the Swedish market with Gambling Insider

H1/Q2 ROUND-UP: PENN NATIONAL, KONAMI, GENTING, CAESARS AND WYNN

Penn National Gaming reported a 61% year-on-year increase in Q2 revenue to \$1.32bn, mostly thanks to its acquisition of Pinnacle Entertainment.

Penn National's operating income also grew 9% to \$198.4m, while adjusted EBITDAR rose sharply.

A 64% increase meant the operator's new adjusted EBITDAR total for Q2 was \$159.4m.

Meanwhile, Konami's Gaming & Systems segment saw revenue growth of 7% to ¥6.83bn (\$64m) for Q1 of its financial year. Despite this, Konami's overall organisation suffered a fall in revenue of 3% to ¥56.46bn.

Of Konami's four main segments, Gaming & Systems enjoyed the highest growth rate, but was beaten by both sports and digital entertainment.

Q1 profit dropped 81% to ¥159m, with the supplier attributing this to a growing number of slot machine installations.

Genting Singapore announced a revenue increase of 14% to \$636.8m, with gross profit of \$253.6m, a 1% increase for Q2. Its net profit however, was down \$217.3m, a 5% fall.

Of Genting's total revenue, \$441.1m was generated through gaming, up 22%, while its non-gaming services had generated \$195m, a 1% fall.

Genting credited the increase in revenue, and adjusted EBITDA of \$294.4m, to a favourable rolling win percentage in VIP gaming business.

For H1, Genting generated revenue of 1.2bn, a 3% growth and net profit of \$373.9m, a 5% fall.

Elsewhere, Caesars Entertainment reported a 6% net revenue growth, to \$4.34bn, with Q2 revenue rising to \$2.22bn in a 5% increase.

Due to derivative liability-related costs, Caesars' net losses for H1 rose to \$532m, up from \$5m.

Finally, Wynn Resorts reported revenue of \$1.66bn, an increase of 3% for Q2.

The operator's net income fell to \$94.6m, down 39%, due to the pre-opening costs of developing Encore Boston Harbor.

Wynn Palace in Macau generated revenue of \$628.9m. Casino revenue was \$528.5m, an increase of 0.7%, while Wynn Macau casino revenue was \$481.2m, a 2% increase. Most notably, table turnover for VIPs was \$9.3bn at Wynn Macau, down 33%.

VEIKKAUS SUSPENDS ADVERTISING AFTER MARKETING BACKLASH

Finnish monopoly operator Veikkaus has suspended purchased advertising after receiving criticism of its marketing strategy.

Finland's National Institute for Health and Welfare recently described Veikkaus' slogans as "at odds with public health communication," calling for its adverts to be subject to the same rules as tobacco and alcohol.

As a result, state-run Veikkaus will suspend all purchased advertisement space until the end of September, except for Lotto, Eurojackpot, Vikinglotto marketing and brand and liability marketing.

While this suspension is in place, Veikkaus will conduct a full review of its marketing processes with the assistance of an external operator.

The changes come amid concerns over a rise in problem gambling in Finland, for which Veikkaus is the sole gambling service.

Olli Sarekoski, Veikkaus CEO, said: "We

have made mistakes. Some of our ads have been such that they do not comply with the company's approved marketing guidelines.

"We take responsibility for them, we are really sorry for the anger we have caused and we will learn from our mistakes."

Last month, SBTech secured a multi-channel sportsbook platform deal with Veikkaus following a procurement process.

SBTech also announced it will supply Veikkaus with its YourBet Builder and PulseBet products.

Sami Kauhanen, VP of Betting at Veikkaus, said: "Our partners' proven delivery of large-scale, revenue-generating platforms and software technology projects across numerous regulated markets, alongside their continual investment in innovation, gives us huge confidence. We look forward to working together to enhance and grow our offering in the coming months and years."

OH RISES, IL FALLS

Ohio gaming revenue grew for the third straight month, with July's total of \$162.2m being up 2.3% year-on-year.

Churchill Downs and Delaware North's Miami Valley Gaming grew for the 13th straight month.

Cincinnati casinos fell for the first time since November, as Boyd Gaming's Belterra Park dragged down the market with its 4.48% decline.

Jack Entertainment led all multi-property casino operators, as all three of its properties grew results year-on-year.

MARKET/PROPERTY	REVENUE (M)	(%) CHANGE
Thistledown (JACK)	\$12.271	+15.27
Hollywood Dayton (Penn)	\$9.813	+13.75
Jack Cleveland (JACK)	\$17.146	+7.32
Hollywood Mahoning Valley (Penn)	\$10.826	+5.64
Miami Valley Gaming(CHDN/Del North)	\$14.868	+5.36
Scioto Downs (ERI)	\$15.681	+2.97
Jack Cincinnati (JACK)	\$17.474	+1.94
Hollywood Columbus (Penn)	\$18.939	-2.18
Hollywood Toledo (Penn)	\$16.802	-2.27
Belterra Park (BYD)	\$7.242	-4.48
MGM Northfield Park (MGM)	\$21.163	-5.78
State total	\$162.227	+2.30

CINCINNATI

MARKET/PROPERTY	REVENUE (M)	(%) CHANGE
Jack Cincinnati (JACK)	\$17.474	+1.94
Belterra Park (BYD)	\$7.242	-4.48
Cincinnati total	\$22.110	-0.03

CLEVELAND

MARKET/PROPERTY	REVENUE (M)	(%) CHANGE
Thistledown (JACK)	\$12.271	+15.27
Jack Cleveland (JACK)	\$17.146	+7.32
MGM Northfield Park (MGM)	\$21.163	-5.78
Cleveland total	\$50.581	+3.05

CHICAGOLAND

MARKET/PROPERTY	REVENUE (M)	(%) CHANGE
Joliet Hollywood (Penn)	\$10.465	+2.40
Aurora Hollywood (Penn)	\$9.621	-1.64
Rivers (CHDN/Rush Street)	\$36.957	-4.93
Joliet Harrah's (CZR)	\$14.543	-5.33
Elgin (ERI)	\$12.883	-7.57
Chicagoland total	\$84.469	-4.20

ST. LOUIS

MARKET/PROPERTY	REVENUE (M)	(%) CHANGE
Casino Queen, E.St.Louis	\$8.199	+2.45
Alton Belle (Penn)	\$3.673	-11.40
St.Louis total	\$11.872	-2.28

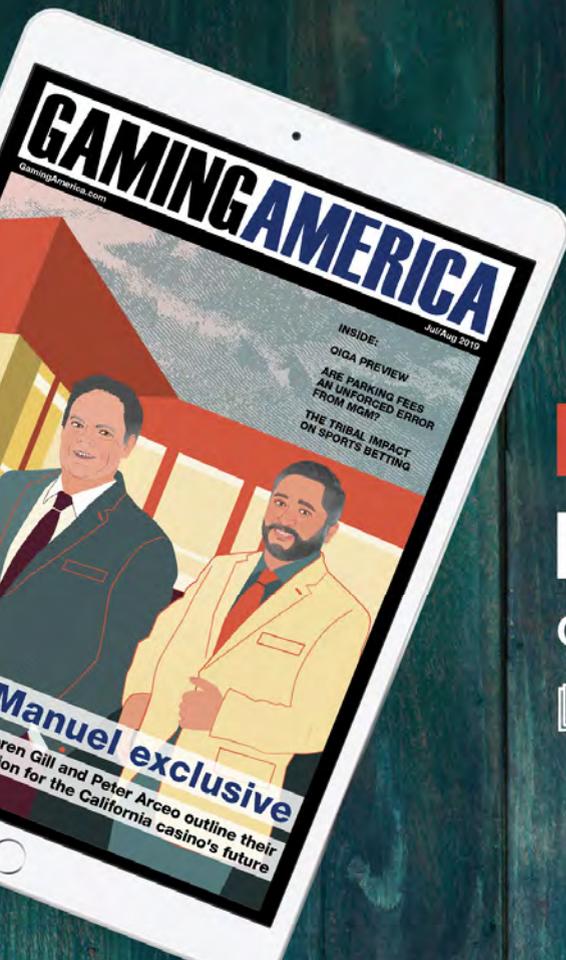
Illinois casino revenue fell for the seventh straight month, down 3% for July.

Flooding at Penn National's Alton Belle carried over in the first two weeks of July after the casino was closed for the majority of June due to rising flood waters from the Mississippi River.

Casinos outside Alton Belle fell 2.68%, while Penn's combined properties would have risen 0.43% with the casino factored out.

ELSEWHERE

MARKET/PROPERTY	REVENUE (M)	(%) CHANGE
Rock Island (Del North)	\$6.149	+3.51
Metropolis (CZR)	\$6.741	+3.48
East Peoria (BYD)	\$6.520	-0.28
State total	\$115.751	-2.99



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ALASTAIR GRAHAM
CEO, AGECHECKED

Graham discusses the winning formula of combining age verification with user experience

Age verification on gambling websites has become an important issue. The

Advertising Standards Authority (ASA)

prohibits the promotion of gambling to under-18s and the Gambling Commission brought in changes to the LCCP (licence conditions and codes of practice) this year.

These new regulations require users to verify their ages before depositing funds, having a free bet and engaging with free-play games.

The ASA also recently found several gambling sites to be violating the advertising code and specifically targeting underage users.

The industry then, needs to ensure it is fulfilling its obligations to protect youngsters, as the spotlight is firmly focused on the issue. The question is: how?

A MULTI-FACETED APPROACH

A recent Gambling Commission audit revealed 12% of 11 to 16-year-olds follow gambling companies on social media and more than half had seen gambling advertising on TV, online or social media (based on extrapolated data). While gambling companies clearly cannot prevent underage individuals from being exposed to their brand outright, they can take steps to ensure their advertising is firmly pitched towards adults, placed in contexts where children are less likely to be exposed.

On the technical side, gambling firms can protect young people by ensuring so-called 'freemium' business models, which encourage users to try out a free version of a game or bet, are put behind an age-gate. Active measures to prevent underage players are really the best defence against criticism that these models appeal specifically to children. The use of 'loot boxes' is another model which seems to specifically appeal to young people, with children spending hundreds of pounds on items like 'player packs' for Fifa's eponymous football game.

Recently, several of the biggest names in the gambling industry – William Hill, Ladbrokes Coral, Paddy Power,

Betfair, Sky Bet and Bet365 – pledged to extend their voluntary levy on gambling profits. This will rise from 0.1% to 1% of profits to fund treatment for problem gamblers, while the NHS has announced the opening of a gambling clinic specifically aimed at children.

However, prevention is ultimately better than cure. While all these are helpful steps towards the overall youth protection picture, ultimately, gambling websites have obligations to prevent underage users accessing them from the start. In other words, robust age verification processes are the foundation on which all other youth protection processes must be built.

This might sound simple enough. But it still requires striking a delicate balance – between robust and reliable age verification processes, evolving legislation and site usability.

THE BALANCING ACT

For any online gambling business, player experience is critical. The landscape is competitive, so offering a smooth, straightforward and enjoyable user journey is vital to avoid losing customers to other sites. The same principle applies, of course, for all other consumer-facing websites, from retailers to video-streaming businesses.

Meanwhile, in such a highly-scrutinised industry, it is vital for online gambling businesses to respond quickly to new demands and position themselves as forward-thinking. The faster they can implement new verification demands – and the more strategic they can be about leading the industry and offering a proactive approach to problem gambling – the better for brand reputation.

All this requires online gambling businesses to implement age verification processes which are as robust as possible, but also intuitive and easy to use. High match rates are critical to deliver protection standards required by compliance frameworks, while at the same time enabling legitimate users to access the site quickly. An age verification partner that is responsive to the evolving landscape is crucial – and 'landscape' means the issues which are receiving media attention as well as changing legal frameworks.

Striking a careful balance between preventing underage users from accessing their sites, while making that access smooth and straightforward for adult users, is something all forward-thinking gambling businesses need to focus on.

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