



WEEK 33

FRIDAY 16 AUG 2019

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ANALYSIS: DESPITE FLAWED REPORTING, PANORAMA EXPOSES INDEFENSIBLE ACTIONS BY UK GAMBLING OPERATORS



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ANALYSIS: DESPITE FLAWED REPORTING, PANORAMA EXPOSES INDEFENSIBLE ACTIONS BY UK GAMBLING OPERATORS

THIS WEEK

- **Boyd Gaming CEO speaks to *GI* about integrity fees**
- **1xBet's British-facing website is shut down**
- **William Hill and Stars Group report H1 results**
- **Nektan CEO resigns; Founder and Executive Director speaks to *GI***

GUEST COLUMNIST:

- **Toni Karapetrov, Head of Corporate Communications, Habanero**



I'll let you all into a little secret: I enjoy the occasional sports wager. Just last weekend, I lost a £5 (\$6.03) wager, before winning one of equal value. I essentially broke even – but the thrill of cheering my bets on gave me incredible entertainment value for my fivers.



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THIS WEEK IN NUMBERS



\$74.5m

AGS' Q2 revenue, a 2% increase year-on-year



The sum Gaming Innovation Group received for the sale of its B2C brand Highroller to Ellmount Gaming

100s of millions

The amount of Chinese Yuan the Chinese embassy in Manila claims has flown illegally into the Philippines through gambling-related funds



The number of square cm Paddy Power's sash logo was seen to have exceeded, causing Huddersfield Town to receive an FA charge

The number of arrests made by Vietnamese authorities in relation to an online gambling ring in Hanoi



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That is the essence of gambling responsibly, and what it should be about.

But sometimes, the gambling industry – especially in the UK – loses sight of the whole point of it all. More specifically, BBC Panorama's recent documentary has highlighted flaws that simply cannot be ignored, even by ardent defenders of the freedom to gamble like me.

As a pre-cursor, there were flaws in the BBC's reporting itself. The whole documentary focused largely on two individual cases – both historical, which may not necessarily represent the gambling sector of today - while its chief witness was later given a suspended jail sentence.

Its suggestion online gambling complaints have risen 5,000% in five years was also highly misleading, as it didn't measure the increase in the number of complaints against the increase in the total amount of gamblers in that time. It may well be unblanced, but the nature of any of these complaints was not examined in any way.

Of course, no matter the contents of the documentary, the sector would have had to brace itself for all kinds of disproportionate criticism. Did Panorama tell its viewers about Paf, the Finnish operator which has set a €30,000 (\$33,445) loss cap per player and published details of how much its gamblers win and lose? Did Panorama discuss 888's new safer gaming measures, which will feature in an upcoming edition of *Gambling Insider* magazine? Did Panorama talk about the myriad of responsible gambling initiatives in the US, where casino operators have transformed whole communities with their tax contributions?

No – but it didn't have to, especially as only one of those cases applies to the UK. Bad actors are letting – or have in the past let – the entire industry down. They are now receiving negative exposure on a national scale because of it. Why shouldn't they? The BBC only focused on a handful of cases, but critics will say that is plenty enough.

The biggest culprit, Jackpotjoy, which did not deny the story when contacted by *Gambling Insider*, was shown to have encouraged a player to gamble after the recent death of her father, while offering her a £1,000 cash bonus as part of its "condolences."

I have to think back to my own experience working for a tier-one operator and, sadly, the evidence corroborates Panorama's findings, biased though the BBC's selective use of language was. In a company-wide marketing presentation, the words "fear of boredom" were used as something to exploit in getting a customer to gamble.

To be clear, no betting company should ever capitalise on fear of boredom to drive revenue, just as it should never offer a grieving daughter a £1,000 cash bonus as she mourns her father. There are operators who have in-built policies ensuring this kind of thing would never happen. Simply put, these things are obvious.

But clearly not to everyone in the industry. It is this short-sightedness that is crippling the UK sector's public image. It is not a long-term strategy; it is a self-defeating one.

Gambling executives often bemoan the comparative lack of scrutiny afforded to the alcohol and tobacco sectors – as do I, frankly. But recent episodes like Jackpotjoy's explain exactly why. The sector must ensure these are just historical examples and continue changing for the better.

I will continue to defend the industry against baseless, politically-motivated criticism, against poor journalism and against fabricated statistics; just as I have done here in highlighting the issues with Panorama's findings. There is a lot of good in the gambling industry.

But I cannot defend the indefensible. Right now, UK operators are making my job very difficult.



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JPJ Group's year-on-year growth in H1 revenue, to £169.5m (\$204.8m), despite a tough week in the media spotlight



HK\$26.2bn

Galaxy Entertainment Group's H1 net revenue - a 7% year-on-year fall (US\$3.34bn)



The number of sports wagering kiosks featured in Presque Isle Downs & Casino's BetAmerica sportsbook, launched this week

BOYD GAMING CEO: I'M OFFENDED BY THE NOTION OF INTEGRITY FEES

Boyd Gaming CEO Keith Smith spoke exclusively to *Gambling Insider* on the proposition of integrity fees and believes they undermine the values of Las Vegas operators.

Elite-level leagues, such as MLB and the NBA, have discussed charging operators 1% of sports betting handle involving their relevant competitions.

Using a 1% fee and a 5% hold, this could roughly work out to 20% of revenue.

While the leagues have cut their asking price to 0.25%, operators across the US still find this unjustified.

Smith agrees, telling *Gambling Insider*: "I'm highly opposed and frankly highly offended by the term, because integrity fees implies we were operating with a lack of integrity in the past.

"I can tell you we've operated sports betting here in Nevada for more than 40 years at a very high level, with very few scandals."

Smith added: "We don't need integrity fees; we've been doing this for a very long time. You don't see it in the UK, or

elsewhere in the world. I am offended by the whole notion."

Other sporting bodies have seen the benefits of sports betting and are not pushing for integrity fees.

Scott Warfield, Managing Director of Gaming at Nascar, said the organisation wants to use sports betting to grow Nascar's audience.

He previously told *Gambling Insider*: "We've been focused on using sports as an engagement tool. So how do you make this product available to as many people as possible who are looking for it? That's what I'm more interested in when we talk to sports operators.

"How do you get more people playing? As opposed to the short-term monetary benefit, we're taking a long view that asks what sports betting can do for Nascar and the size of its fan base."

Smith was speaking for the upcoming US CEO Special, due to be published in the September/October edition of *Gambling Insider* magazine.

THE WEEK IN QUOTES

"We're not going to chase some short-term business at the expense of spending a lot of money that won't really bring long-term results. We're more focused on having a great platform, a great product and rolling out our app. We want to sell what we have as opposed to enticing people with a lot of incentives."

Scott Butera, MGM's President of Interactive Gaming, discusses the company's product and long-term approach with *Gambling Insider*

"We regrettably wish to announce, due to the uncertainty of this situation, SportPesa will be cancelling sports sponsorships effective immediately. All clubs and partners have received notices as provided for in their contracts."

A SportPesa spokesperson reveals the operator will be pulling out of all its sports sponsorship deals in Kenya due to an ongoing tax dispute with local authorities

1XBET SHUT DOWN IN GB; GAMBLING COMMISSION INVESTIGATES FSB RELATIONSHIP

The British-facing website of operator 1xBet has been taken down and remains offline following a Sunday Times investigation.

The newspaper looked into 1xBet's global activities, including the promotion of a casino that employed topless croupiers, bets on children's sports and advertising on illegal websites.

Ben Glass, Communications Manager at the Gambling Commission, confirmed to *Gambling Insider* the regulator is investigating the operator and its ties to supplier FSB Technology.

Gambling Insider understands FSB is set to terminate its partnership with 1xBet.

On 15 July, 1xBet became Chelsea's global betting partner, following similar agreements with Barcelona and Liverpool. It will also serve as Tottenham Hotspur's official betting partner for Africa.

The operator is reported to be one of the biggest advertisers on websites that provide illegal streams of English Premier League matches.

Its adverts are promoted on these websites alongside the logos of Chelsea, Liverpool and Tottenham Hotspur.

Gambling Insider has contacted FSB for comment.

A statement from a 1xBet spokesperson said: "We take very seriously the allegation 1xBet's brand has been promoted on prohibited sites. This was done, from our understanding, through certain third-party networks, and without our prior knowledge or consent.

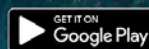
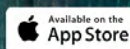
"We have launched an immediate internal investigation to ensure we improve our monitoring in this regard.

"We are in touch with the Gambling Commission, with whom we are cooperating fully."

The operator said it remains fully committed to the UK market.



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"It's the ugly baby! I get that. I think it comes from it being a female demographic, so people ask why bother in a male-dominated market like sportsbook? But the one thing I say to people is you've got a cheaper acquisition here. Here's your chance to increase your database and get cheaper CPAs."

Claire McDaid, VP of Pragmatic Play, speaks to Gambling Insider about bingo and how operators can achieve cheaper acquisition through the vertical

THIS WEEK'S WINNERS AND LOSERS

WINNERS

Sportradar – Signed a multi-year extension to its NFL partnership, allowing it to provide data to sports betting operators in the US and abroad

Twin River – Generated revenue of \$143.2m for Q2, a 29% increase year-on-year, attributing the rise primarily to its acquisition of Dover Downs

MGM Resorts International – Filed a lawsuit against the federal government, for its deal permitting Connecticut's two Indian tribes to open a third venue in the state

Global Gaming – Had its injunctive relief appeal rejected by Sweden's Supreme Administrative Court, following the revocation of subsidiary SafeEnt Ltd's license

Inspired Entertainment – Saw its revenue drop 28% to \$26.7m for Q2, attributing the fall to the reduction of maximum stakes for fixed-odds betting terminals in the UK

LOSERS

WILLIAM HILL'S PROFIT PLUMMETS 47% FOR H1; STARS GROUP H1 POKER REVENUE FALLS

William Hill has reported an adjusted loss of £45.5m (\$55.1m) before tax for H1 2019, a 47% drop year-on-year. This comes despite revenue increasing 1% to £811.7m.

Adjusted operating profit was down 33% to £76.2m, which was impacted by the £2 stake limit (from the previous £100) on fixed-odds betting terminals (FOBT) in British betting shops and the operator's expansion into the US.

William Hill has taken the decision to close 700 shops in the UK as a direct result of the FOBT stake cut.

Online UK net revenue fell 1%, due to weaker sports results and enhanced customer due diligence, according to the operator.

William Hill continued to expand its US footprint in H1, with live sports betting available in eight states and two more to go live imminently.

Philip Bowcock, William Hill CEO, believes US growth will only benefit the operator in Q3 and beyond.

He said: "We are making good progress against the five-year strategy we outlined last year, delivering strong revenue growth in the US and other international markets and positioning William Hill well for future growth."

Meanwhile, The Stars Group saw its total consolidated revenue grow 51% year-on-year for H1 to \$1.22bn.

However, \$432m of Stars Group's revenue came from Sky Betting & Gaming, which was acquired in July 2018; this means total revenue would have shrunk were it not for the purchase of the UK operator.

Consequently, online sports betting was Stars Group's largest product vertical, increasing from 20% of the company's total revenue to 36%; by contrast, online casino dropped from 31% of total revenue to 25%, while online poker shrunk significantly from 53% to 30%.

International poker revenue fell 12% to \$405.6m, due to adverse foreign exchange fluctuations and "continued disruptions and regulatory headwinds in certain markets."

Operating income for Stars Group rose 35% to \$155.5m, while net earnings grew from an \$80.5m loss to \$32.3m; adjusted EBITDA increased 26% to \$432m.

Rafi Ashkenazi, Stars Group CEO, said: "The second quarter underpinned the success of last year's acquisitions, particularly with the record performance of Sky Betting & Gaming and our increasing product and geographic diversification.

"This year has been and remains a year of integration, execution and debt reduction."

NEKTAN CEO RESIGNS 10 MONTHS AFTER APPOINTMENT

Nektan CEO Lucy Buckley has resigned with immediate effect, just 10 months after her appointment in the role.

In a short initial statement, the supplier confirmed Buckley will "remain available to the board for a period of time" and expects to make a further announcement in due course.

Gary Shaw, Nektan Founder and Executive Director, has taken up the role of Interim CEO.

Following Buckley's resignation, Shaw told *Gambling Insider* the supplier may split its CEO role to cover Europe and Asia separately.

He also explained the company's growing international focus was the main reason behind Buckley's departure.

Shaw said: "Lucy has been very helpful in the UK but, I'll be frank with you, one of the things happening to our business is it is

growing quite rapidly internationally.

"I think what's happened is Lucy has done a good job in terms of looking at what we can do in the UK market. The reality is our international expansion plan is where we'll be spending most of our time."

Buckley said: "As part of the recent restructuring of the business, now is the right moment for me to step away from the role of CEO.

"The business has a solid foundation of proprietary technology and a fast-growing B2B business that will help it capitalise on the many global opportunities ahead."

Buckley previously stated her hope Q4 would produce improved financial results; the improvements did not materialise as the supplier saw overall Q4 revenue fall 29% year-on-year, to £4.1m (\$5m).

Buckley's resignation came less than two weeks after Nektan posted the update.

NJ GAMING REVENUE GROWS

Total gaming revenue rose 10.7% year-on-year in New Jersey for July, which includes the first full-month comparisons for Hard Rock, Ocean and sports betting.

Strip out all three and revenue still rose 8.57%. Land-based casino revenue fell 2.16% without Hard Rock and Ocean.

Online gaming helped drive revenue last month, with total revenue up 51.8% and double-digit percentage growth from every operator.

Sports betting revenue rose more than 400% to \$17.885m, although there were just five operators last year. Revenue grew 84.3% month-on-month.

Sports betting handle fell 8% month-on-month, which could reflect additional competition from Pennsylvania's online sports betting launch in June.

LAND-BASED CASINOS

MARKET/PROPERTY	REVENUE (M)	(%) CHANGE	TABLE HOLD (%)	
			2019	2018
Ocean	\$19.201	+21.45	7.8	7.9
Hard Rock	\$38.709	+19.52	18.4	13.1
Borgata (MGM)	\$80.770	+13.56	22.9	16.6
Resorts	\$17.615	-1.29	14.1	12.1
Golden Nugget	\$19.441	-3.30	19.2	16.4
Harrah's (CZR)	\$29.747	-5.37	19.9	22.2
Bally's AC (CZR)	\$17.756	-13.63	15.6	19.7
Tropicana (ERI)	\$29.037	-13.83	15.8	17.4
Caesars (CZR)	\$24.909	-15.15	12.1	21.5
AC Land-based Total	\$277.186	+1.79		
MULTIPLE PROPERTY COMPANIES:				
Caesars	\$77.494	-8.96		

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INTERACTIVE

MARKET/PROPERTY	REVENUE (M)	(%) CHANGE	(%) SHARE	PARTNER
Hard Rock	\$1.903	+477.41	4.8	Gaming Innovation
Resorts Digital	\$6.869	+74.32	17.5	SGMS, TSG
Golden Nugget	\$14.895	+59.67	37.9	PPB, GAN, SGMS
Ocean	\$0.382	+53.11	1.0	GAN
Caesars (CZR)	\$5.082	+34.90	12.9	888, SGMS
Borgata (MGM)	\$6.366	+29.08	16.2	GVC, Pala
Tropicana (ERI)	\$3.818	+13.97	9.7	Gamesys
Online gaming total	\$39.316	+51.81		
Same Store	\$38.933	+51.80		
Poker	\$1.887	+2.08		
Casino	\$37.429	+55.64		

SPORTS BETTING

MARKET/PROPERTY	REVENUE (M)	(%) CHANGE	PARTNER
Bally's	\$0.492	+2,668.11	SGMS/888
Meadowlands	\$9.090	+562.44	FLTR, PBH
Monmouth Park	\$1.972	+130.28	WMH/Rush St
Borgata	\$0.859	+52.71	GVC
Ocean	\$0.587	-43.39	WMH
Golden Nugget	\$0.224	N/A	SBTech/CHDN
Hard Rock	\$0.154	N/A	Gaming Innovation
Harrah's	\$0.114	N/A	SGMS
Resorts	\$0.545	N/A	DraftKings
Resorts Digital	\$3.722	N/A	TSG/DraftKings/Kambi
Tropicana	\$0.126	N/A	WMH
Sports Betting Total	\$17.885	+365.04	

NJ GAMING TOTAL

(Legacy casinos, sports betting and online gaming)

MARKET/PROPERTY	REVENUE (M)	(%) CHANGE
Meadowlands	\$9.090	+562.44
Monmouth Park	\$1.972	+130.28
Hard Rock	\$40.767	+24.61
Ocean	\$20.171	+17.98
Golden Nugget	\$34.560	+17.42
Resorts	\$25.029	+14.89
Borgata (MGM)	\$87.994	+14.85
Harrah's (CZR)	\$29.861	-5.01
Caesars (CZR)	\$29.991	-9.46
Tropicana (ERI)	\$32.982	-10.98
Bally's AC (CZR)	\$18.248	-11.31
NJ Land-based Total	\$334.386	+10.70

GUEST COLUMNIST



TONI KARAPETROV
HEAD OF CORPORATE
COMMUNICATIONS,
HABANERO

Karapetrov discusses why there are no shortcuts when it comes to creating, building and expanding a successful provider from scratch in the marketplace

With an array of suppliers and operators continuing to enter what is already a saturated marketplace, it begs the question as to how exactly a company can establish itself when competition is rife.

As with any journey in life, there's always that urge to cut corners or take a shortcut rather than do it the right way, and it's the same when putting together a business and organisational model as a supplier.

The most simplistic route to fast-tracking business growth is through M & A, but for some, such an investment is simply not achievable. Not only does this strategy require serious financial backing, but also the expertise of integrating different products, which can be profoundly time consuming.

Instead, focusing on producing quality games and developing strong relationships with customers has to be the approach for those looking to compete with established companies.

FINDING THE BALANCE BETWEEN QUALITY AND QUANTITY

The industry is a fast-moving and cutthroat one, with advancements in technology, both software and hardware, meaning new ideas and products are being created regularly.

This creates the dilemma of whether it's better to rush and release, or take time and squeeze the very most out of a product that is achievable.

Back in December 2015, we had a huge task starting out with just over 50 titles. Those 50 titles, all being somewhat older, were built in Flash.

But we believe the balance lies between quality and quantity. Why not aim to release one game per month?

This strikes the sweet spot of lining up production consistently while combined with a strong sales effort.

That one game per month target is one developers can keep to without fear of bringing down quality levels.

This is also a release calendar players themselves can be reactive to, with past measurements of such a system showing players were hungry for new content and very receptive to it upon launch.

KEEPING CONTENT FRESH

As key as creating regular content is, so is keeping offerings fresh and innovative to appeal to more people. As a brand grows, so does its ability to target new markets and demographics.

It's for that reason providers looking to break into the industry should vary every slot release. This not only means narratives, but also number of lines, volatility and even the layout of the slot in question.

Modern technology means players no longer have to settle for re-skinned iterations of the same slot and can instead demand the latest in gamification.

INVESTING IN STAFF AT THE RIGHT TIME

Starting from somewhere to reach a goal can often feel like a slow process, but it is important not to run before you can walk, especially when it comes to investing in sales and a client support team in various locations around the world.

By having an organic growth model, young businesses can work in a financially responsible manner, with learnings and logistics all moving along in place, in step and on time for new recruits to hit the ground running.

That's something we believe strongly in. Take Arcangelo Lonoce, for example; he arrived as our new Head of Business Development in Europe back in 2017 and has since helped grow Habanero's footprint.

That in turn has allowed investment in further recruits, with Carlos Carvajal arriving as Service and Operations Manager and Vera Motto as Business Development Executive a few months later.

As daunting a task as it is trying to enter the industry nowadays, with the right road map, sales staff, and development teams, it's possible to not only survive but to also grow and thrive.

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