



WEEK 39

FRIDAY 27 SEP 2019

**OPINION: DRAFTKINGS
SHOULD LOOK INTO
ACQUIRING FOOTBALL INDEX**

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THIS WEEK

- **Melco out of Osaka; the latest on Japanese licensing**
- **Caesars to sell Rio**
- **Microgaming closing poker network in 2020**
- **Global Gaming bids to rejoin Swedish market**

GUEST COLUMNIST:

- **Jens Bader, Co-founder, MuchBetter**
- **Julian Borg-Barthet, Director of Business Development, RISQ**

OPINION: DRAFTKINGS SHOULD LOOK INTO ACQUIRING FOOTBALL INDEX



It is three years since DraftKings launched its daily fantasy sports (DFS) product in the UK. To date, it hasn't had much of an impact.

The UK audience wants different things than its US counterpart. Free-to-play fantasy football for the English Premier League is perhaps the most influential reason behind this stark difference.

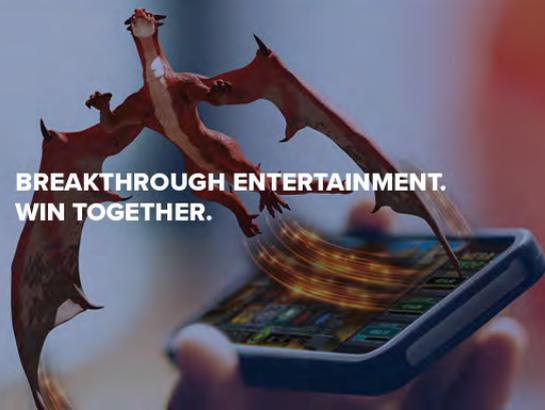
But one gaming site enjoying UK success alongside fantasy football could offer DraftKings a route towards reigniting its UK ambitions and reinvigorating its UK offering; it could also offer more opportunities in the operator's home US market.

Football Index exceeded £200m (\$248.9m) in trades for the 2018/19 season, a huge leap from figures of £66.3m the previous campaign.

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THIS WEEK IN NUMBERS

€250,000



The amount GiG hopes to save per week after stopping investments into its game studio, GiG Games (\$274,712)

\$42.5m

XLMedia's reported revenue for H1, a 10% decrease year-on-year



23



September – The date on which the Malta Gaming Authority cancelled UWin4U's license

10Bet will be Italian Serie A club Juventus' official betting partner for the



The number of players, who trade shares in professional footballers akin to financial stock markets, also rose from 63,728 to more than 135,000 and is now above 300,000 as the operator celebrates its fourth birthday. Could this open a door for DraftKings?

UK MARKET ACCESS

While DraftKings has already entered the UK market, the simple fact of the matter is it has not succeeded.

Acquiring a site with a strong existing UK footing however, would change that, giving the operator access to a growing database it could market to for both DFS and sports betting.

The trading of shares itself is equally something which involves high volumes and the commission structure guarantees a cut for Football Index on every trade.

Whether the UK was previously high on DraftKings' priority list or not, Paddy Power's UK launch of NFL fantasy in August means the company risks falling behind if it doesn't act soon.

Paddy Power is part of the Flutter Entertainment parent group which also owns DraftKings' rival FanDuel. FanDuel left the UK in 2017, but Paddy Power's launch brings the operator back into the mix, even if indirectly.

UNIQUE TECHNOLOGY

M & A of this kind would offer another inherent benefit, in that DraftKings could replicate Football Index's product in the US.

With the nationwide popularity of the 'big four,' who's to say a Baseball Index, Hockey Index, American Football Index and Basketball Index wouldn't become a success?

Here's where the actions of competitors come to the fore once again. Fox Sports recently imported 'Super 6,' a free-to-play predictor game which has been a huge hit for Sky Betting & Gaming in the UK.

If such a move is good enough for an organisation the size of Fox (encompassing both the media giant itself and parent company Stars Group), it could provide an avenue worth exploring for DraftKings, at the very least.

The key benefit both Super 6 and Football Index offer is they do not clash with Premier League fantasy football. They are products players can engage with at the same time, rather than as a direct competitor, which would similarly apply to DFS and sports betting.

DRAFTKINGS IN THE MARKET FOR M & A?

Something else worth considering is DraftKings' reported interest in acquiring sports betting supplier SBTech.

The story was not denied when it initially surfaced in June and the rumour mill has remained awfully quiet since, suggesting there may well be some substance to the links.

If DraftKings is indeed in the M & A market, SBTech ticks a certain box, while Football Index ticks another box on the very same page.

Football Index Founder Adam Cole has founded and sold companies before. For the right price, and with the potential of Football Index succeeding in the US, Cole would surely be open to a strong offer.

At ICE London earlier this year, DraftKings CEO Jason Robins told *Gambling Insider*: "Depending on the pace at which US regulation goes, international expansion is something we could focus on more heavily in the near term. It will 100% be something we focus on more in the medium to long term."

Football Index could be the perfect channel for that long-term expansion.

€400,000

The fine handed to TSG Interactive Gaming Europe, a subsidiary of Stars Group, by the Dutch Gaming Authority, for offering poker via Pokerstars.eu (\$439,297)



13



The amount of proposals received by the New Hampshire Lottery to offer sports betting in the state

MELCO RESORTS ENDS OSAKA PURSUIT WITH YOKOHAMA-FIRST STANCE

Melco Resorts & Entertainment will pursue a Yokohama-first policy in Japan, ending its bid for an integrated resort license in Osaka.

Melco previously stated its ambition to obtain one of three casino licenses to be awarded in Japan, either in Yokohama or Osaka.

In 2018, the operator opened an office in Osaka, with the intention of spending up to \$10bn to construct an integrated resort in the city's Yumeshima site.

However, Melco is now moving its focus away from Osaka to concentrate on large cities in Yokohama.

Lawrence Ho, Melco Chairman and CEO, said: "Our team is well-positioned to contribute to Yokohama's future and support the community in its ambition to become a global tourism destination.

"I would like to thank the city of Osaka for their consideration and for constructive dialogues we have had with them. They demonstrated a very professional approach

in their commitment to build an IR in Yumeshima."

Melco joins Las Vegas Sands in ending its Osaka interest, while Caesars Entertainment recently halted its overall pursuit of a Japanese license.

As a result, the race for an integrated resort license in Osaka is reportedly down to three candidates: MGM Resorts International, Genting Singapore and Galaxy Entertainment Group.

Local media reports suggest the operators are the only three companies to have submitted Request for Concept proposals in the city. But some analysts believe Wynn Resorts may not have given up on an Osaka license just yet.

Of the three, MGM generated the highest revenue for H1 2019 (\$6.4bn), while Galaxy Entertainment reported revenue of HK\$26.2bn (US\$3.34bn) and Genting Singapore \$1.2bn.

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\$130.4m

The value of the online football betting operation shut down by Vietnamese police this week



THE WEEK IN QUOTES

"Education is critical to this entire process, whether it be regulators or operators. We see a lot of people who just don't understand the business; we want to bring people together to talk about how it works."

American Gaming Association Senior Director Jonathan Michaels on the need for education in the recruitment process

CAESARS RETAINS WSOP DESPITE \$516.3M SALE OF RIO LAS VEGAS

Caesars Entertainment has signed an agreement to sell the Rio All-Suite Hotel & Casino in Las Vegas to "a company controlled by a principal of Imperial Companies."

Imperial Companies has traditionally focused on residential and other hospitality properties.

Caesars will make \$516.3m from the sale, although it retains the World Series of Poker (WSOP), which is hosted at the Rio.

The WSOP will stay at the Rio in 2020, with hosting rights belonging to Caesars thereafter.

Caesars will also operate the property for a minimum of another two years and may continue to manage it beyond the period, or "provide transition services to the buyer." Rent for the property will cost in the region of \$45m per year.

However, analysts believe Caesars will not exercise its option to continue management after two years.

Following Eldorado Resorts' \$17.3bn acquisition of Caesars in June, Eldorado CEO Tom Reeg outlined the possibility of selling some of the company's Las Vegas properties.

Caesars shares have dipped marginally from a valuation of \$11.95 before the Rio sale to around \$11.67.

The deal is still subject to regulatory approval and is expected to be completed in the fourth quarter of 2019.

Tony Rodio, Caesars CEO, said: "This deal allows Caesars Entertainment to focus our resources on strengthening our attractive portfolio of recently renovated Strip properties and is expected to result in incremental EBITDA at those properties."

"The retention of the World Series of Poker and retention of Caesars Rewards customers are all factors that make this a valuable transaction for Caesars."

“According to forecasts, it is expected regulation will be completed during the last quarter of 2019, with the license-granting process to begin subsequently.

Since legislation has already been approved, it is just a matter of definitive regulation to be presented and for the license-granting processing to start.”

Marcelo Munhoz da Rocha, Legal Advisor at BetConsult, updates Gambling Insider on the latest Brazilian sports betting legislation

“We fully respect the Gambling Commission’s decision of suspending our license and we acknowledge its wish for a substantially changed way of operating white-label businesses in the future. We regret the impact this suspension has had on our loyal players, on our brands and on our long-standing white label partners in the UK; but this business has by now become unsalvageable.”

EveryMatrix CEO Ebbe Groes on the decision to leave the UK B2C space

MICROGAMING TO AXE POKER NETWORK IN 2020

Microgaming has announced it will close its poker network next year after an internal review of the supplier’s product portfolio and strategy.

Players will still have access to online tournaments, promotions and cash games prior to the network closure.

Beginning as Prima Poker in 2003, the network now consists of almost 30 different poker rooms, most of which share the same tables and tournaments.

The decision to close will leave a dozen of the network’s skins searching for a new home.

It is expected the network will shut down in the second or third quarter of 2020, although a specific date has not yet been announced.

Microgaming will be releasing further details about the closure in the next few weeks.

John Coleman, Microgaming CEO, said: “The network model no longer

fits with our strategic vision for poker. This is the right time to announce the closure as we focus on redistributing key resources and personnel across the business.

“While the network will be closing, this is not the end for poker at Microgaming.

“Ultimately, this move will help the business as we follow a new strategic direction for the vertical, details of which will be revealed in due course.”

Alex Scott, MPN Managing Director, said: “For some time now, I’ve been carrying out an extensive review into the poker product here at Microgaming, with input from poker industry experts.

“The conclusion of the review was that, for poker to be as successful as possible, we had to adopt a very different strategy and business model. Ultimately, the poker network is not part of that vision.”



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THIS WEEK'S WINNERS AND LOSERS

WINNERS

888Casino - Extended its partnership with the NFL's New York Jets for the 2019/20 season

Kambi - Will expand into Ohio through a deal with Jack Entertainment

NHL Commissioner Gary Bettman - Will be a keynote speaker at the Sports Betting Symposium at G2E this year

32Red - Saw two adverts banned by the Advertising Standards Authority, after they appeared in the results of Google searches for Jack and the Beanstalk

OPAP - Lost its online sports betting license in Greece

LOSERS

GLOBAL GAMING AIMS TO REJOIN SWEDISH MARKET THROUGH VIRAL INTERACTIVE

Global Gaming has confirmed plans to transfer the domain Ninjacasino.se to Viral Interactive in a bid to rejoin the Swedish market.

SafeEnt, a subsidiary of Global Gaming, had its Swedish license revoked by the Swedish Gambling Authority (SGA) earlier this year, after the regulator reported "serious deficiencies" in business practices, including failings related to deposit limits, marketing and anti-money laundering measures.

Prior to the ban, SafeEnt had been running both its Ninja Casino and Spellandet online gaming brands in Sweden; but the loss of its license had halted Global Gaming's operations in this area.

Speaking with *Gambling Insider* at the time, Tobias Fagerlund, Global Gaming CEO, called the SGA's initial decision to revoke SafeEnt's license "unlawful" and insisted he was given very little warning prior to the revocation.

He said: "I was shocked. They made the decision public through a press release on a Monday at 8am and I got it by email eight minutes before. Before that point, there was no sign at all SafeEnt would have its license revoked."

He blamed the decision partly on a lack of clarity following the re-regulation of the market at the beginning of the year, claiming this led to unknowing violations of the law.

Viral Interactive has now filed an application with the SGA to add the Ninjacasino.se domain to its online commercial gambling license in Sweden, potentially allowing Global Gaming to re-enter the market.

In light of the announcement, Fagerlund said: "It is my belief Ninjacasino.se is in safe hands with Viral Interactive and Finnplay's provenly safe and responsible platform, which also places a great deal of emphasis on entertainment and the pleasure of gaming."

LA RISES

Louisiana gaming revenue grew 3.07% year-on-year for August, the first month of growth for the Bayou State since January. In fact, every market and almost every property grew results.

Baton Rouge casinos grew for the first time since August 2017. Penn National led combined-property growth at 6.2%, benefiting from double-digit growth at Margaritaville.

MARKET/PROPERTY	REVENUE (M)	% CHANGE
SHREVEPORT/BOSSIER CITY		
Margaritaville (Penn)	\$14.808	+15.39
DiamondJacks (Legends)	\$3.200	+12.01
Sam's Town (BYD)	\$6.581	+5.85
Louisiana Downs (CZR)	\$3.881	+4.45
Horseshoe (CZR)	\$17.225	+4.28
Boomtown (Penn)	\$4.603	+1.67
Eldorado (ERI)	\$9.008	-7.66
SP/BC Total	\$59.306	+5.11
LAKE CHARLES/VINTON		
L'Auberge (Penn)	\$27.989	+4.84
Golden Nugget	\$29.560	+2.34
Delta Downs (BYD)	\$15.305	+1.13
Isle of Capri (ERI)	\$7.852	-8.54
LC/Vinton Total	\$80.706	+1.77

MARKET/PROPERTY	REVENUE (M)	% CHANGE
NEW ORLEANS		
Fair Grounds (CHDN)	\$3.664	+3.96
Boomtown (Penn)	\$10.108	+2.28
Harrah's (CZR)	\$23.301	+1.68
Treasure Chest (BYD)	\$9.406	+0.72
NOLA Total	\$46.479	+1.79
BATON ROUGE/CENTRAL LA		
Evangeline Downs (BYD)	\$7.029	+8.02
L'Auberge (Penn)	\$13.225	+4.47
Hollywood (GLPI)	\$4.547	+3.17
Belle (ERI)	\$2.356	-24.24
BR/C.LA Total	\$27.157	+1.77
ELSEWHERE		
Amelia Belle (BYD)	\$4.014	+2.39
Routes, Truck Stops, OTBs	\$52.126	+4.76
State total	\$269.788	+3.07
MULTIPLE PROPERTY COMPANIES:		
Penn National	\$70.733	+6.20
Boyd	\$42.335	+2.96
Caesars	\$44.406	+2.92
Eldorado	\$19.217	-10.42



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GUEST COLUMNIST



JENS BADER
CO-FOUNDER, MUCHBETTER

Bader explains why a credit card ban is better in theory than in practice

The Gambling Commission recently opened a consultation period to review the possibility and potential benefits of banning credit card and ewallet payments on gambling sites.

On the surface, it's easy to understand the arguments for such a proposal. It is also relatively simple for gaming operators, payment companies or credit card operators to introduce these controls – it is not an issue of great technical or logistical complexity.

The big caveat is whether such a ban would actually work in practice, given the nature of gambling addiction and the plethora of payment options available to players. Equally, it ignores the elephant in the room, namely: what actually constitutes an online gaming ewallet?

ARGUMENTS FOR A BAN

As a starting point, it is important to understand some of the reasons behind the consultation and the likely arguments for introducing such restrictions.

1. The ethical argument – First and foremost, this is an ethical issue. It is imperative people who engage in online gaming are treated responsibly and part of this means introducing measures that protect potential problem gamblers. That's why anyone invested in online gaming should support a review into how banning credit instruments could reduce problem gambling.

2. The political element – Gambling has always been a divisive political issue and a ban may be an easy political win for government. Indeed, Labour voiced support for a credit card betting ban more than a year ago, so a cynic may argue the Conservative Government is simply jumping on its rival's bandwagon.

3. Logic – I understand why some people would see a ban as a simple way to protect problem gamblers. In theory, it makes sense that making credit harder to access would prevent or lessen someone's potential gambling debts.

Upon review, it's hard to argue with the political or ethical motivations for the consultation. But the arguments for implementing a ban are thinner on the third bullet point.

The simple truth is a ban won't help the people it is designed to protect. People with a serious gambling problem, willing to fund their gaming accounts with a credit card in the first place, will also be willing to use their credit card in conjunction with other permitted payment options to get around the ban.

This may be why the government is considering banning popular online gaming ewallets, which can be easily funded via credit card, but again this is a misnomer. Players can just as easily fund a pre-paid debit card with their credit card and use their debit card for gaming, and it's ludicrous to suggest all debit card payments will be banned.

Likewise, the notion of prohibiting ewallets ignores the elephant in the room, in terms of what constitutes an ewallet. Neteller, Skrill, Apple and PayPal are mentioned in the consultation notes; but what about very popular services like Revolut and Curve?

Revolut does not position itself as an online gaming payments company and is certainly a new entrant to the market. But a sizeable proportion of its user base is made up of online gaming customers.

Curve allows users to attach their credit card to their Curve debit card account. This means gaming operators would see payments as debit card transactions, even if funds are drawn from a credit card balance.

This isn't just an issue of creating a level playing field. The government certainly takes player protection seriously and, as such, it cannot leave such glaring loopholes.

I don't believe an ewallet ban should be considered while they exist. Such loopholes ultimately mean the problem shifts but does not go away. The approach would not generate the desired results nor would it help protect vulnerable people.

From our perspective as a payments provider, we will likely lose some customers if ewallets can no longer be funded by credit cards, but it is manageable. If this is the result of the consultation period and the government decides this is how the industry should be governed, no organisation can ignore the rules; nor would we want to.

Ultimately however, the bigger picture here is more important. If a feasible credit card ban does successfully protect at-risk players, this will help create a healthier gambling industry in the long term.

If the industry can embrace such change rather than fight it tooth and nail, we will demonstrate to the world at large we do take player protection seriously; even if it is a bitter pill for some organisations to swallow in the short term.

GUEST COLUMNIST



JULIAN BORG-BARTHET

DIRECTOR OF BUSINESS
DEVELOPMENT, RISQ

*Borg-Barthet examines Africa's
different sports betting markets
ahead of ICE Africa*

Africa is the fastest-growing gambling market in the world and ICE Africa promises to bring the opportunities and challenges associated with the market into sharp focus.

Of course, as the speakers lined up for ICE will emphasise, a continent composed of 54 countries, each with its own diversity of ethnicities, cultures and languages, cannot be considered one market at all.

Operators must be mindful of cultural differences and betting behaviours across the continent and must ensure their solutions are flexible and fit for purpose. Teaming up with a local partner is probably a good idea too.

The good news is there is one thing that unites bettors across Africa – a fanatical love of football. A 2014 study found Nigeria was the most football-engaged nation in the world, with an incredible 83% of the population of all ages declaring an interest in the sport.

But Africa's gambling explosion has been driven largely by its youthful population; 60% are under 27, football crazy and highly engaged.

Meanwhile, the adoption of smartphones and tablets has afforded largely bankless populations access to ewallets, such as Kenya's wildly popular M-Pesa, which means they can load money onto their phones to make deposits and withdrawals.

Many governments are open to regulation and the investment it brings. Around 30 countries have either online or land-based legislation in the pipeline, which suggests opportunities for operators are only going to grow in a continent with a population predicted to double by 2050.

Of course, there are challenges. Regulation is relatively new in the biggest markets like South Africa, Nigeria and Kenya, which means it can be volatile.

The Kenyan government's decision in July to suspend the licenses of 27 betting operators – including market leader SportPesa – over a row about taxes is a case in point.

Connectivity and broadband speeds are also an issue – although one that is only likely to improve with time – and mobile coverage is uneven; it can be good in some regions and non-existent in others.

Thirty-one per cent of the African population has access to the internet, while mobile device penetration is around 40%.

Kenya is currently the best-connected African country, with almost 90% using the internet and around 83% owning a mobile device.

Again, Africa's internet users are only expected to grow over the next few years. In 2018, just over 47% of Nigerians had internet access, but the figure is predicted to jump to 84.5% by 2023.

Nevertheless, weaker mobile coverage means the kind of in-play betting so popular in Europe is often not possible.

Thus, pre-match betting is much bigger in Africa, as are betting-on-lottery products and jackpot-based sports predictors.

The key message RISQ will be taking to ICE Africa is that sports predictors offer just the right kind of low cost-of-entry competitions favoured by African bettors.

They cater to the widespread love of football, but do not require constant connectivity.

Meanwhile, insurance-backed competitions can be easily added to a traditional sportsbook product as a low-cost acquisition tool, while offering eye-catching prizes which can bring extra PR value for an operator if it hits.

We believe the key to winning the engagement of such a huge and richly diverse continent is through a simple, low-cost solution with mass appeal.

“The good news is there is one thing that unites bettors across Africa – a fanatical love of football. A 2014 study found Nigeria was the most football-engaged nation in the world, with an incredible 83% of the population of all ages declaring an interest in the sport”

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