



# WEEK 44

## FRIDAY 01 NOV 2019

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### THIS WEEK

- **Ladbrokes escapes Gambling Commission fine**
- **Crown Resorts denies recent allegations**
- **Q3 round-up: Including Kindred, Evolution & more**
- **Yahoo and MGM enter "historic partnership"**

### GUEST COLUMNIST:

- **Erik Pas, Global Brand Director**

## WHEN WILL BLOCKCHAIN BE ADOPTED ON THE MASS SCALE?



Scroll through LinkedIn and you will see some bold claims. Some will profess to know the secret of effective marketing; others will boast there is no secret at all, just hard work. You will see technology experts describe new code, fresh mechanics and futuristic algorithms; all designed to shake up the market.

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# THIS WEEK IN NUMBERS

## \$843m



The approximate price for which Jack Entertainment has entered into an agreement to sell Jack Cleveland Casino and Jack Thistledown Racino to Vici Properties

## 2020

The US PGA Tour is ready to expand its audience by offering gambling at tournaments from next year, according to Commissioner Jay Monahan

Scientific Games and the British Columbia Lottery Corporation have extended their relationship by an additional five years through 2024



## 35



Negotiations between Oklahoma's Attorney General and 35 tribal nations began on Monday, over the automatic renewal of gaming compacts

## \$1.06bn

Nevada's total gaming revenue for September, up 7% year-on-year



One area never too far down on my home page is blockchain technology. Those in this specific corner of the industry say it is not a tool of the future; it is already here and is essential. Conferences and events are held across the world to emphasise its progress and provide opportunity for experts to demonstrate its value.

But we've been hearing about how crypto-currencies are on the verge of mass adoption for more than a year now. We saw the hype of Bitcoin rise and fall in unity with its value and today we seem no nearer to a world run by distributed ledger technology (DLT). So when will it happen? What will it take for blockchain to truly emerge from its corner and flood the gaming industry?

To deny progress has been made would be naive. The first example has to be Malta. Labelling itself the world's "Blockchain Island" was another bold move. However, it is clearly keen on living up to that title. In 2018, the inaugural AI and Blockchain Summit was hosted on the island and this year it was given two slots on the global gaming calendar. The first edition of 2019 was held in spring and the next will take place in November.

That growth highlights the level of attention received by the new technologies, even if this conference does not solely focus on the gaming industry and, of course, includes AI as well as blockchain.

When I speak with digital suppliers such as platform providers, they are all eager to make it clear they can integrate blockchain technology. They say this is no problem and are happy to do it for any customer. When I ask them how many operators have actually opted for a crypto-payment system, I get a less enthusiastic response. The answer rarely exceeds double digits.

There is still so much doubt in place over the use of crypto-currencies. Maybe the hesitancy exists more as a result of the extra effort. Operators already have a series of regulatory hoops to jump through, so to add another may be a step too far at this point. With blockchain technology still so new when compared to traditional payment methods, the process is obviously far from being streamlined.

This can be off-putting to operators. Time is money after all and if they need to close their website to integrate crypto-currencies, even if only for a short period, they will lose revenue.

One area that will surely drive the use of blockchain technology is betting on esports. For the moment, it seems the industry is waiting for a new target demographic to mature.

Betting on esports is becoming more popular as children who would play Fifa, League of Legends, Dota 2 or Call of Duty become old enough to place a wager on their favourite pro team.

Esports and crypto-currencies are a perfect partnership to help each other grow.

This partnership can be further fuelled by operators designing their own tokens, essentially creating their own currency. This is what esports operator Unikrn has done. By building its own token, Unikoin Gold, it encourages customers to spend more on its websites. The tokens can obviously be used to bet but are also used in giveaways, online shopping and exchanges.

Are we on the verge of mass adoption? The short answer is no. Rather than an overnight surge, blockchain in gaming will experience a steady trickle of new users. Day-by-day, the number of customers using it will grow and this will be influenced by new players joining the betting landscape.

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## \$80m+



Australian operator  
PointsBet has  
announced plans to  
raise over \$80m for  
its US expansion

## €15m



The value of  
Authentic Gaming's  
sale from LeoVegas  
to Genting (\$16.7m)

## €430,000



The prize pool of  
the tournament  
BetConstruct has  
announced to boost  
player engagement  
on operator  
websites (\$478,000)

## GAMBLING COMMISSION DECIDES NOT TO FINE LADBROKES

Ladbrokes, owned by GVC Holdings, will reportedly not be fined by the Gambling Commission (GC) following an investigation into potential theft.

Tony Parente, a Ladbrokes customer, stole around £1m (\$1.3m) from five individuals to feed his gambling addiction. The operator received complaints from all five victims and, as a result, Ladbrokes agreed to pay them a total of £975,000 for their losses.

But the Guardian reported Ladbrokes had demanded Parente's victims drop all complaints as part of the deal, although this has never been proven.

Labour MP Carolyn Harris was unhappy with Ladbrokes, saying: "Until we reshape the gambling regulations in this country, the industry will continue to exploit and hold vulnerable gamblers to ransom."

A spokesperson for the GC said: "In this particular instance, the full details

were reported by the operator and we have since issued them with advice over their conduct regarding NDAs. We have also ensured all future NDAs make clear parties to the agreement can inform the relevant regulator."

It is not the first time the operator has faced a GC fine. In July, Ladbrokes Coral was ordered to pay £5.9m for failing to put effective safeguards in place preventing its players from potential gambling harm and money laundering.

The GC found Ladbrokes had failed to intervene when one of its players lost £98,000 across two-and-a-half-years.

The operator also failed to show any evidence it had carried out social responsibility interactions with a player who had deposited more than £140,000 in a four-month period.

GVC said these were historical failings dating back to before its acquisition of Ladbrokes Coral.

## THE WEEK IN QUOTES

*"We look forward to presenting our plans to the Illinois Gaming Board and getting the opportunity to develop a first-class gaming facility that will bring jobs and revenue to the city of Waukegan and the state of Illinois."*

**Daniel Lee, President and CEO of Full House Resorts, on the operator's plans for a Waukegan casino**

*"We are very excited to be a part of CasinoEngine and we are confident this agreement will help us in promoting PG Soft's unique games to a larger platform so more players can enjoy them."*

**Ken Zhang, Managing Director and Co-founder of PG Soft, on the company's new partnership with EveryMatrix's CasinoEngine**

## CROWN RESORTS DENIES MONEY LAUNDERING AND FACES FRIDAY NIGHT STRIKE

John Alexander, Crown Resorts CEO, has denied allegations of money laundering, blaming activists with an "anti-Crown agenda" for releasing the stories.

Earlier this month, CCTV footage from Melbourne's Crown Casino showed more than AU\$100,000 (US\$67,665) being exchanged for high-value casino chips in an alleged incident of money laundering.

The video was leaked to independent MP Andrew Wilkie, who called for a royal commission into the casino by three Victorian state gambling inspectors.

Alexander denounced the allegations at Crown's AGM, reassuring shareholders the claims could not be verified by the newspapers that published them.

Alexander said: "Let me be clear, Crown does not tolerate any illegal activity by its employees or its patrons. I do acknowledge these sensationalist allegations have raised some concern among our stakeholders. I can personally assure you we are taking these matters seriously."

Crown's Melbourne venue will also see employees strike after a series of industrial action was planned by unions.

Bartenders and card dealers will walk away from their jobs for two hours on Friday night, the first strike seen at the casino in 16 years, after negotiations stalled over a new wage deal.

Talks for a new enterprise bargaining agreement have been ongoing for six months but the casino and its staff have yet to come to an agreement.

One of the union's goals in negotiations is to secure stable jobs; it said 70% of Crown's staff is employed in part-time or casual roles.

A spokesperson for Crown Casino spoke to The Sydney Morning Herald. They said: "We provide a flexible workplace which caters to thousands of staff who prefer to work on a part-time or casual basis.

"Where staff would like to work additional hours, we strive to provide them with the opportunity to increase their hours."

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*"This is a major landmark in the development of BetWarrior and we can now offer our users a complete mobile betting and gaming experience that stands apart from everything else out there."*

**Morten Tonnesen, Co-founder and CEO of BetWarrior, comments on the company's Kambi-powered sports betting product entering the next stage of its growth**

*"LeTou are passionate about our players and partnering with Fnatic gives us the perfect opportunity to engage with their growing esports market."*

**LeTou CEO Paul Fox on the operator's partnership with esports company Fnatic**

### Q3 ROUND-UP; KINDRED, NETENT, EVOLUTION AND SANDS

NetEnt and Kindred Group continue to struggle in Sweden, while Las Vegas Sands and Evolution Gaming are targeting expansion in Asian markets, as operators and suppliers alike report their Q3 trading updates.

NetEnt's Q3 revenue was SEK 443m (\$46m), a 1% decrease year-on-year. EBITDA was SEK 196m, down 14%, while profit after tax was SEK 97m, a 37% drop. Revenue for the year-to-date was SEK 1.3bn, a decrease of 3%.

The operator acquired Red Tiger for an initial fee of £197m (\$253.7m) in September and Red Tiger has generated revenue of SEK 30m since the acquisition.

Therese Hillman, NetEnt CEO, said: "The primary reason for the lower revenue was attributed to continued weak developments in the Swedish market."

Kindred revenue was £226m (\$290m), a 2% drop, while revenue for the year-to-date was £676.6m, a 3% rise. EBITDA for the period was £37.2m, a decrease of 33%, and £98.3m for the year-to-date, a 32% fall.

Kindred's Q3 profit before tax amounted to £21.4m, down 49%, while the operator generated profit after tax of £18.1m, a 51% decrease.

The operator also said a difficult Swedish market and a lower-than-usual sportsbook margin in September resulted in reduced revenue.

Elsewhere, Evolution Gaming generated revenue of €94.7m (\$105.4m), an increase of 47% year-on-year. EBITDA increased 73% to €48.5m, while overall profit was €39.8m, up 87%. Operating revenue for the year-to-date was €259.8m, up 48% from 2018.

Evolution Gaming experienced its highest growth in the Asian and North American markets, but insists the live casino vertical continues to grow in Europe despite entering "a more mature phase" in some regulated markets.

Las Vegas Sands made net revenue of \$3.3bn meanwhile, down 4% year-on-year. Both operating income and net income fell for the operator, dropping 3% to \$899m and 4% to \$669m respectively.

Consolidated adjusted property EBITDA was \$1.3bn, which Sands described as being consistent with the prior year's quarter.

Total net revenue for Sands China dropped 2% to \$2.1bn, while net income remained flat at \$454m.

# THIS WEEK'S WINNERS AND LOSERS

## WINNERS

*FanDuel* – Has become the official daily fantasy sports partner of NFL team the Pittsburgh Steelers

*Colossus Bets* – Furthered its partnership with AmWest Entertainment, agreeing a deal to deliver SIS's British greyhound racing jackpots to the operator

*Greentube* – Bolstered its Swedish market presence after launching with Svenska Spel

*The MOP96.5bn (\$12bn)* – Lawsuit filed by Asian American Entertainment Corporation against Las Vegas Sands has been delayed until 16 September 2020

*Tipico* – Has reportedly been sued for €14m (\$15.6m) in damages by Greek businessman Antonios Stampolidis

## LOSERS

## YAHOO AND MGM ENTER SPORTS BETTING PARTNERSHIP

Yahoo Sports and MGM Resorts International have entered into a multi-year sports betting partnership.

Verizon Media CEO Guru Gowrappan and MGM Chairman and CEO Jim Murren announced the deal will “power sports betting for Yahoo Sports and create collaborative content experiences and live events.”

Yahoo joins ESPN, TheScore and Fox as US media companies looking to expand their horizons into sports wagering.

The firm will be the official digital media sports partner of MGM, while the Yahoo Sports app, powered by BetMGM, will launch in the US in November.

Last month, MGM launched the BetMGM app in New Jersey through its joint venture with GVC Holdings, Roar Digital.

The product incorporates GVC's sportsbook platform into a rebranding of PlayMGM, first introduced in 2017; Roar Digital will also be central to MGM's partnership with Yahoo.

A number of sports will be included in the Yahoo integration, including American football, baseball and golf.

Last year, MGM became official betting partner of both the NBA and the NHL. NBA Commissioner Adam Silver has said the new Yahoo agreement will benefit fans by providing “unprecedented ways to engage with games.”

Murren said: “This partnership marks an important moment for BetMGM in the growing US sports betting sector.

“Integrating Yahoo's leading fantasy sports operations and content with BetMGM's world-class sports betting and interactive platform uniquely positions us to drive market share and large-scale adoption among sports fans.”

Gowrappan said: “The historic partnership with Yahoo Sports and BetMGM will change the future of fandom, providing new ways for sports fans to go beyond engaging with content and interact through commerce.”



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## STRIP RISES, DOWNTOWN SIZZLES

The Las Vegas Strip grew 6.83% year-on-year for September, growing for the fourth straight month and the third month out of the last four with more than 7% growth.

The Strip's results, coupled with growth in the rest of Clark County's markets, helped Nevada's revenue total reach \$1.06bn.

Strip revenue benefited from baccarat, which grew 55.65% on much higher hold this year versus last year.

The Strip would have declined 0.05% with baccarat factored out, while baccarat revenue itself would have fallen 22.8% with last year's hold.

The strong Strip growth should bode well for major Strip casino operators Caesars Entertainment, Las Vegas Sands, MGM Resorts and Wynn Resorts.

Strip slot play, which is more stable than table games, grew 2.15%, a sign of a healthy domestic market.

Downtown Las Vegas shot up 19.89%; the market's best growth since December.

The Las Vegas locals also had a healthy 9.61% growth.

Growth in those markets is good news for Boyd Gaming and Red Rock Resorts.

Nevada regained the lead over New Jersey, in terms of sports betting revenue generation in September, with \$52.068m.

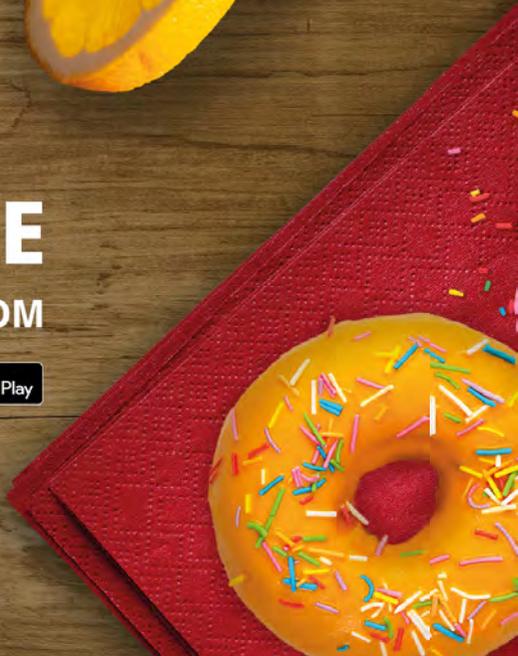
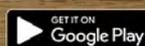
MARKET/PROPERTY	REVENUE (M)	% CHANGE
Nevada	\$1.059 bn	+6.83
Las Vegas Strip	\$584.249	+7.00
Clark County	\$913.572	+8.27
Downtown LV	\$65.928	+19.89
North LV	\$26.942	+13.60
Laughlin	\$39.879	+4.56
Boulder Strip	\$74.563	+10.40
Mesquite	\$10.321	+1.54
Balance of County	\$111.690	+8.17
Las Vegas locals market	\$213.195	+9.61
Washoe County	\$76.232	-3.41
Reno	\$55.340	-4.24
Sparks	\$11.551	-2.82
North Lake Tahoe	\$2.574	+0.97
Balance of County	\$6.767	+1.07
South Lake Tahoe	\$18.190	+2.49
Elko County	\$27.382	-1.73
Wendover	\$18.682	-1.27
Balance of County	\$8.699	-2.71
Carson Valley Area	\$9.789	-3.95
Other areas	\$14.126	+8.28

## RACE BOOK AND SPORTS POOL

MAJOR STRIP SEGMENTS	REVENUE (M)	(% ) CHANGE	(% ) WIN	
			2019	2018
NEVADA				
Racebook	\$2.650	-20.16	15.14	16.18
Football	\$39.068	-11.89	10.35	11.40
Basketball	-\$0.912	N/A	-22.89	-27.23
Baseball	\$7.615	+79.22	6.22	3.24
<b>Sportsbook Total</b>	<b>\$52.068</b>	<b>-7.52</b>	<b>9.53</b>	<b>9.86</b>
CLARK COUNTY				
Racebook	\$2.262	-19.82	15.13	16.14
<b>Sportsbook Total</b>	<b>\$45.881</b>	<b>-5.08</b>	<b>9.14</b>	<b>9.12</b>



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## TABLE DROP

MAJOR STRIP SEGMENTS	2019 (M)	2018 (M)	(%) CHANGE
Blackjack	\$486.751	\$525.237	-7.33
Baccarat	\$537.238	\$696.563	-22.87
Total games	\$1.751 bn	\$2.055 bn	-14.82

## COMPONENTS OF STRIP PERFORMANCE

MAJOR STRIP SEGMENTS	REVENUE (M)	(% ) CHANGE	(% ) WIN	
			2019	2018
Blackjack	\$59.335	-14.87	12.19	13.27
Baccarat	\$107.555	+55.65	20.02	9.92
Total games	\$277.295	+6.41	15.84	12.68
Slots	\$306.955	+7.54	8.59	8.16

## GUEST COLUMNIST



### ERIK PAS

GLOBAL BRAND DIRECTOR

#### ***Pas explains why the online gaming industry is turning gambling into a niche market***

What would happen if BMW stopped selling people the ultimate driving experience and only sold cars as a product? No more emotions, no target segmentations, no more cars designed based on people's needs and interests.

Instead, it would offer you two tyres for free if you bought a Bimmer today. Then Audi jumps in and offers you three free tyres if you purchase an Audi today.

The same applies to L'Oreal. The company is tempting women to buy its products with the 'because you are worth it' brand experience. What if it instead said: "Here's some cream. Buy it and get a free sample?"

There are a number of marketing and brand rules and laws. One is the 30% to 40% rule. If a company is fully product-oriented, it only reaches 30% to 40% of its target group. That's because most brands discovered adding emotion to their products simply sells better. I am aware people in online gaming are convinced they add emotions to their products. But I can easily explain why they actually don't.

Successful brands develop products or services that solve people's problems or add value to people's lives. To do this the right way, you need to know the needs and interests of your target audience. It is a fact people have different interests and needs, based on their age, circumstances, lifestyle and so on. Market research can give companies insight into this.

In online gaming, every person out there is the target group and they are all treated in the same way.

Online gaming is now 25 years old. The industry is fragmented and has no leading provider. Diving into the industry, I noticed the product is completely dominant within online gaming. Which is strange, because every online casino is offering exactly the same products and experience. By everyone doing the same, you never create distinctive character or mental leadership in an industry.

Every online operator offers the same games, the same terms and conditions and gives away free spins and bonuses. The only question is how many free spins or bonuses; and the only difference is the logo and the 'brand' colours used.

I think the term "online casino" is contaminated because the products are pushed so much. I dare to state this because there is a 600% difference between people gambling offline and online. At the same time, when I ask my friends or relatives if they ever want to play an online casino game, they say no without a doubt. When I ask them if they want to find out if they are lucky and can win extra money, they all say yes.

Only 8% to 18% of people play online gambling games, while more than 80% of wagers are offline via lotteries, visiting land-based casinos, buying scratch cards or other gambling related experiences. That means there is a certain need for gambling/financial-related games among 80% of people, while the entire online industry only serves 8% to 18%.

Another online industry issue is 70% of first-time depositors never return, in addition to the fact almost every online gambler has multiple accounts with different providers.

As a creative brand director, I had the opportunity to work for some famous brands, start-ups and brilliant challengers, helping them grow, creating maximum brand value and results. I worked in lots of industries, from energy drinks, beer, financial, social gaming to mobile phones and so on.

The last three years, I've also been active on-and-off in online gaming. Despite the fact I don't gamble myself, I see an industry with many opportunities. On the other hand, I also note online gaming companies leave a huge market untouched.

If you want your online casino to become a leading brand, you must shift the focus from product to people's needs and interests.

Have you ever wondered why your company actually exists and for whom you and your colleagues go to work every day?

Because gambling games can add value to people's lives. A focus on people will bring you a much bigger target group and create brand preference, which in turn brings you loyal consumers.

## SEP/OCT ISSUE OUT NOW

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