GI FRIDAY

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WEEK 47

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THIS WEEK

- Newgioco CEO speaks to *GI* about US market
- NJ and Pennsylvania revenue rises again
- Steve Wynn challenges Nevada regulator
- Q3 updates: IGT, Camelot and Catena Media

GUEST COLUMNIST:

- Simon Hammon, Chief Product Officer, Relax Gaming
- Dmitry Starostenkov, CEO, EvenBet Gaming

HAS THERE BEEN A SHIFT IN ATTITUDES TOWARDS JAPANESE CASINOS?

Even if they may be a few years away, Japanese casinos are the gaming industry's next "big thing."

The excitement generated by the potential of a Japanese market has had operators across the world abuzz for quite some time now.

The process to establish integrated resorts in the country is well underway, with the Japanese Government last week nominating five members to form its Casino Management Committee.

Recent comments from US casino operators however, seem to have dampened expectations somewhat. The buzz is not as loud as it once was.

During Q3 earnings calls this month, there were two clear examples. The first came from Las Vegas Sands COO Rob Goldstein.

THIS WEEK IN NUMBERS

2020

Tribes in California want to see a state-wide sports betting referendum take place in November next year

99%

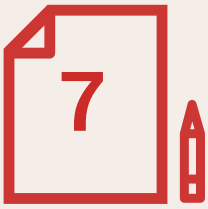
Of shareholders approved the $17.3bn merger between Eldorado Resorts and Caesars Entertainment this week

£590,000

The amount reimbursed to a business in Northern Ireland by 32Red, after a former employee stole and later lost the money with the operator ($761,595)

12 December

Ahead of the UK General Election taking place next month, the Liberal Democrats have committed to banning the use of credit cards to gamble



The number of draft regulatory proposals on gambling developments submitted to Ukraine's Parliament

He said: "No matter how good you are at this business, you must stop and think is that prudent?

"Can you really deploy? Can you get the return? We've had those discussions and we've had them with the Japanese Government, so our Chairman and our board will make that decision ultimately."

Goldstein wasn't alone, with Wynn Resorts' Q3 earnings call also coming with some tempering of expectations.

Wynn CEO Matt Maddox said: "We are going to pursue Japan with vigour but we will not pursue it if it does not make financial sense. I still believe this is going to be a longer process than a lot of people are anticipating.

"We're going to be very disciplined in terms of how any structure is put together, what the costs are going to be and what the return profile is going to be."

On the surface, some of these phrases are common-sense statements; it looks a case of companies being sensible and highlighting that pragmatism to the investor community. No casino operator would enter Japan if it was guaranteed a loss.

But it's about the messages these kinds of comments send to investors. It's almost as though we are seeing a shift in attitudes towards integrated resorts in Japan.

While Sands and Wynn are coming across as more contained in their approaches though, the likes of Galaxy Entertainment Group and MGM Resorts International still seem more bullish.

In the race for an Osaka casino, MGM, Galaxy and Genting have been reported as the final three candidates for a casino license.

It's interesting to note there have been no such comments of potentially scaling back efforts, or suggesting the overall process will take longer than people think, from those operators.

So are we, instead, actually seeing a containing exercise from firms which might not be in pole position to land a license?

If you aren't expected to attain a certain goal, it makes less sense to perk investor hopes up, only to cause disappointment and a potential dip in share price when that goal is not attained.

It's a failsafe strategy, as dampening expectations may also prompt a more positive reaction if the likes of Sands or Wynn do indeed end up with a casino in, for instance, Yokohama.

All things considered, there has certainly been a change in the recent narrative, with C-Level executives emphasising the costs of entering the Japanese market, as opposed to the non-stop stream of positivity previously broadcast to the public.

That comes on top of Caesars Entertainment withdrawing from the race to Japan completely and others withdrawing from the bid for Osaka.

But that change has been prompted by operators who previously came across as less sure about Japanese gaming, anyway.

With only three integrated resort licenses initially available, Japan definitely won't be for everyone.

A change in narrative however, does not necessarily mean a change in attitude, especially when only driven by certain sections of the market.

Investors, analysts and executives should therefore take note - perhaps taking these latest operator warnings with a pinch of salt.

The promise of Japanese gaming, for those who remain bullish, is still as high as ever. While firms are right to be financially prudent, the overall excitement generated by integrated resorts in Japan isn't going to die down any time soon.

1 June 2021

Plans to launch the regulated Netherlands online gambling market have been delayed by six months

23%

The year-on-year increase in Gamesys Q3 revenue, rising to £92.4m ($118.6m)

5%

A new tax bill in the Philippines requiring offshore operators to pay 5% of annual gross income has moved closer to becoming legislation, after being passed by the House Ways and Means Committee

NEWGIOCO CEO: BLANKETING US WITH LICENSED OPERATORS BEST WAY TO COMBAT BLACK MARKET

Newgioco CEO Michele Ciavarella has said the best way to combat illegal gambling in the US is for regulators to blanket the country with licensed operators, rather than monopolising the market.

Speaking exclusively with *Gambling Insider* about the District of Columbia's sports betting deal with Intralot, Ciavarella explained how monopolising state lottery distribution and sports venues with one favoured operator is counterproductive to combating illegal gambling.

He said: "The situation with Intralot in DC is quite absurd in my opinion. A free and open market is best for the consumer. Ultimately, state regulators and banks will realise that.

"Fear, as well as a lack of experience and knowledge, is what's leading to mistakes like this.

"The Wire Act and the Unlawful Internet Gaming Enforcement Act were made to stop unlawful operators, not to block or stop a legal industry like sports betting from existing."

Ciavarella went on to explain how this could lead to wagers with offshore bookmakers and street-side bookies. "It's like allowing licensed retailers to sell white sneakers only," he explained. "All the knock-off retailers will have a field day on the street corners.

"To combat illegal gambling, regulators and banks need to blanket the US with licensed operators; not make it impossible for them to do business.

"Licensed operators provide a safe and convenient environment for the average citizen to place a wager on their favourite sport."

Ciavarella believes the US can learn from the Italian market which, he said, has adopted a similar "blanket" policy to solve the problem of "nefarious operators."

The full interview will appear in *Gambling Insider's* January/February magazine.

THIS WEEK'S WINNERS AND LOSERS

WINNERS

Crypto Millions Lotto - **Partnered with English Premier League football club Wolverhampton Wanderers, acting as the club's official online lottery partner**

Merkur Casino - **Avoided regulatory action over its bus ticket promotion**

The newly formed Betting and Gaming Council - **Is introducing cooling-off measures in betting shops to "restore public trust"**

The Australian Communications and Media Authority - **Has blocked offshore operators Emu Casino and Fair Go Casino, as part of new measures stopping illegal gambling activities**

Six members - **Of an illegal gambling ring in Vietnam were given prison sentences, the longest being 10 years and six months**

LOSERS

NEW JERSEY AND PENNSYLVANIA SEE CONTINUED YEAR-ON-YEAR GROWTH FOR OCTOBER

Operators in New Jersey generated total gaming revenue of $293.9m for October, a 23% rise year-on-year.

Sports wagering revenue saw the biggest leap, rising 297% to $46.4m, while internet gaming also saw significant improvement, increasing 69% to $45.2m.

Total sports wagering handle for October was $488m, up 87%.

New Jersey slot machine win was up 4% at $147.5m, table game win was $54.8m, down 6%, and casino win increased just 1% to $202.3m.

These results bring the year-to-date total gaming revenue to $2.9bn, up 30%.

From the state's individual operators, Resorts Digital took the most sports betting revenue, rising 107% to $10.6m.

Meanwhile, in Pennsylvania, revenue generated by gaming and fantasy contests totalled $283.7m for October, an 11% rise.

State-wide, sports wagering revenue was $15m, representing a rise of 0.4% from September's figure. The majority of this revenue, $10.4m, was generated online; the remaining $4.6m was made in retail.

Valley Forge Casino was the top overall taker for sports betting; it generated revenue of $5.8m. From this total, $5.6m was produced online, the highest figure for any online operator.

Parx Casino made the most from retail operations; $1m of its $2.7m total was produced at land-based venues.

Tax generated from sports betting was $5.4m. Elsewhere, gross revenue generated by slot machines in the state's 12 casinos was $116.4m, up 8%.

Parx Casino took the highest revenue in this sector, rising 7% to $35m.

For table games, Pennsylvania's casinos made revenue of $73.2m, an increase of 10%.

DraftKings was the top taker for fantasy contests in the state, increasing 15% to $1.8m. State-wide, fantasy operators generated $3.3m, a rise of 13%.

THE WEEK IN QUOTES

"I'm delighted to be taking over as CEO of Helio Gaming and honoured to be given the opportunity to help build on the company's commercial achievements to date. Helio Gaming's lottery solutions are an asset for any operator looking to diversify its games portfolio."

Helio Gaming's new CEO, Keith Galea, comments on his appointment

"While there are tons of financial benefits associated with going public, private companies in some instances have the ability to control their own destinies to a greater extent. If, as an example, Caesars Entertainment had been a private entity, the company would almost surely not have been acquired by Eldorado Resorts this past summer."

Matt Kaufman, VP of Digital and Interactive Gaming at Eilers and Krejcik, talks to Gambling Insider about firms going public

STEVE WYNN: REGULATORS OVERSTEPPING AUTHORITY IN SEXUAL HARASSMENT CASE

Steve Wynn, founder and former CEO of Wynn Resorts, has claimed the Nevada Gaming Control Board (NGCB) is overstepping its authority in trying to fine him and bar him from the gaming industry.

The case first began in February 2018, when a Wall Street Journal story accusing Wynn of multiple cases of sexual misconduct in the workplace forced him to resign as CEO of the company.

Wynn Resorts has already paid $55m in fines related to the allegations against Wynn.

A hairstylist formerly employed by Wynn Resorts filed the latest lawsuit against the operator last month, accusing Wynn executives of sending an undercover spy to his salon, after he made public allegations of sexual misconduct against the former CEO.

Wynn's attorney, Don Campbell, now claims the board is overstepping its statutory authority by insisting on personal fines for the former CEO, despite the fact he has left the company and divested himself of ownership.

Campbell said: "Such a draconian concept of lifetime jurisdiction is found nowhere in the statutes or regulations relied upon by the NGCB.

"It is clear the Nevada legislature neither expressly nor implicitly authorised the Commission and NGCB to discipline persons who no longer have any involvement with gaming licensees."

This week, a federal judge dismissed a Massachusetts casino's case against Wynn Resorts, which claimed the operator had corrupted the Massachusetts Gaming Commission and local officials, as parts of its efforts to win a casino license for a Boston resort.

Sterling Suffolk Racecourse argued Wynn Resorts committed racketeering violations to gain the license.

Among the allegations was that Wynn Resorts bribed Everett Mayor Carlo DeMaria with a concealed stake of ownership in the casino.

"We are committed to providing up-and-coming researchers with an opportunity to dedicate their careers to gambling studies and have a real impact in our community. Research is crucial because it provides the evidence base for responsible gambling policy, interventions and programs. It is important to encourage our brightest minds to stay in or move into the field."

New South Wales' Director of the Office of Responsible Gambling, Natalie Wright, on the additional funding committed to gambling research

"Aristocrat delivered another year of high-quality profit growth in fiscal 2019, further extending our track record of share taking and organic momentum, driven by strong investment in talent, product portfolios and marketing across our land-based and digital businesses."

Trevor Croker, Aristocrat CEO and Managing Director, on the supplier's 23% annual revenue increase to AU$4.4bn (US$3bn)

IGT, CAMELOT AND CATENA MEDIA POST Q3 TRADING UPDATES

Operators, suppliers and affiliates continue to announce third quarter results, with IGT reporting Q3 revenue of $1.15bn, a 3% rise year-on-year at constant currency.

Operating income fell 19% to $154m, while adjusted EBITDA dropped 5% to $407m.

The supplier's net debt decreased 3% to $7.35bn.

IGT attributed its revenue growth, which was flat when not measured at constant currency, to an increase in global gaming product sales.

North America gaming and interactive revenue was $253m, an increase of 10%, while lottery revenue in the region was $38m, a rise of 1% from Q3 2018.

Meanwhile, Camelot, operator of the UK National Lottery, announced increases across the board in its H1 report.

Overall ticket sales were up 14% to £3.92bn ($5.04bn) for the first half of its financial year, with "returns to good causes" also up 11%.

Digital sales grew by 40%, with prize money up 13%, while retail sales increased 5%.

CEO Nigel Railton said: "Our recent commercial successes give us a fantastic platform on which to build, as we ramp up to next year and the Tokyo 2020 Olympic and Paralympic Games.

"What's more, as CEO of Camelot, I can tell you the team here that put in place the strategic review is only two years into a long-term plan – so we feel like we're just getting started."

Elsewhere, Catena Media saw its revenue decline 5% to €26.4m ($29.2m) for Q3.

The affiliate however, managed to prevent a fourth consecutive quarter of decline, with Q3 revenue being 11% higher than Q2's total of €23.7m.

New depositing customers (NDCs) dropped 28% to 99,435, as EBITDA decreased 11% to €32m.

Catena reported profit of €11.9m for the quarter, up 37%. Organic revenue growth slowed by 10% for the affiliate, totalling €23.1m

However, the figure represents an 11% increase from this year's Q2 total.

DATA CENTRE

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PA REVENUE GROWS

New gambling options in sports betting and online gaming helped grow Pennsylvania gaming revenue 12.4% year-on-year for October.

Factor out those new options and gaming revenue grew 2.89% as legacy casinos benefited from slot and table game growth.

Sports betting revenue fell 1.31% versus September, though revenue totaled more than $19m for the second straight month.

Handle grew 24% versus September, with online handle almost five times as much as retail.

Boyd's Valley Forge, where Flutter Entertainment's FanDuel operates sports betting, accounted for more than 40% of Pennsylvania's sports betting revenue.

Rush Street's Rivers Philadelphia, formerly known as SugarHouse, led online gaming revenue.

PROPERTY/MARKET	REVENUE (M)	% CHANGE
Philadelphia:		
Valley Forge (BYD)	$19.027	+76.92
Rivers Philadelphia (Rush Street)	$30.810	+36.02
Parx (Greenwood)	$54.611	+15.74
Harrah's (CZR)	$20.240	-1.37
South Philly Turf Club (Greenwood)	$0.402	N/A
Valley Forge Turf Club (Greenwood)	$0.162	N/A
Philadelphia total	$124.688	+23.32
Same Store		+5.84
Northeast PA:		
Mount Airy	$16.259	+7.02
Mohegan Sun	$19.136	+5.53
Wind Creek Bethlehem	$39.643	+2.67
Northeast PA total	$74.055	+2.94
Pittsburgh:		
Rivers (Rush Street)	$32.604	+15.65
The Meadows (PENN)	$17.030	-16.09
Pittsburgh total	$47.134	-2.79
Same Store	$44.634	-7.95

Elsewhere:		
Lady Luck Nemacolin (CHDN)	$2.932	+15.13
Hollywood (PENN)	$20.703	+14.33
Presque Isle (CHDN)	$10.586	-0.12
State total	$284.144	+12.40
Same Store	$260.084	+2.89

PROPERTY/MARKET	REVENUE (M)	HANDLE (M)	PARTNERS
Sports Betting			
Valley Forge (BYD)	$8.217	$118.043	BYD/FLTR
Rivers Philadelphia (Rush Street)	$3.281	$37.224	Rush RS/Kambi
Parx (Greenwood)	$2.748	$25.950	Green-wood/Kambi
Rivers (Rush Street)	$2.321	$34.268	Rush RS/Kambi
Mount Airy	$0.678	$10.387	TSG
The Oaks (Greenwood)	$0.402	$2.809	Green-wood/Kambi
Hollywood (PENN)	$0.350	$2.958	PENN/WMH
Mohegan Sun Pocono	$0.306	$2.094	Kindred
Harrah's (CZR)	$0.277	$2.350	CZR/SGMS
Presque Isle (CHDN)	$0.195	$3.195	CHDN
The Meadows (PENN)	$0.179	$0.773	DraftKings
Valley Forge Turf (Greenwood)	$0.162	$1.136	BYD/FLTR
Sports betting total	$19.117	$241.186	

Retail:		
Parx (Greenwood)	$1.014	$7.506
Rivers Philadelphia (Rush Street)	$0.814	$7.215
Rivers (Rush Street)	$0.700	$7.715
South Philly Turf (Greenwood)	$0.402	$2.809
Hollywood (PENN)	$0.350	$2.958
Mohegan Sun Pocono	$0.306	$2.094
Harrah's (CZR)	$0.277	$2.350
Presque Isle (CHDN)	$0.195	$3.195
The Meadows (PENN)	$0.179	$0.773
Valley Forge Turf (Greenwood)	$0.162	$1.136
Valley Forge (BYD)	$0.156	$4.107
Total	$4.641	$42.498
Online:		
Valley Forge (BYD)	$8.061	$113.936
Rivers Philadelphia (Rush Street)	$2.467	$30.010
Parx (Greenwood)	$1.734	$18.444
Rivers (Rush Street)	$1.621	$26.553
Mount Airy	$0.591	$9.746
Total	$14.476	$198.688

Online gaming revenue	
Rivers Philadelphia (Rush Street)	$2.532
Hollywood (PENN	$1.801
Parx (Greenwood)	$0.610
Online gaming total	$4.943

GUEST COLUMNIST

SIMON HAMMON
CHIEF PRODUCT OFFICER, RELAX GAMING

Hammon discusses how to get ahead in the aggregation arms race

The market for aggregation has been a competitive space for many years, with larger, traditional platforms losing market share to those that can offer a faster and more agile route to market. There has been a recent influx of newcomers moving from sole proprietary content supply to the aggregation space, as they look to capitalise on their existing integrations and distribution networks.

It makes sense as a strategy, but the success of any individual program is heavily linked to the commitment behind the project, the technology, commercial proposition and being able to offer a genuinely superior end-to-end solution. Aggregation has, it seems, become the new strategy choice for building additional revenue, but the varied levels of success is testament to how important it is that the proposition is well thought out.

Gaining traction in an already saturated market is no easy feat. Making a mark in this highly competitive arena not only requires an advanced and fine-tuned product that can accommodate games from a multitude of suppliers, but also experience in supporting different needs. Speed of delivery, agility, cost-effectiveness, experienced support and commercial transparency are the new markers of success; it takes dedication and expertise to build an aggregation business which ticks all those boxes.

Ultimately, management is key: larger-scale platforms have lost their edge because the efficiency with which new integrations can be scheduled and games can be released has been forfeited in place of growth. At the same time, newcomers that have simply opened up a platform on existing technology initially designed to support proprietary games often underestimate the level of hands-on technical, commercial and compliance support required for aggregation. Ongoing communication and collaboration with partners is equally as important in ensuring speed and responsiveness, as is continuous investment and the development of the underlying technology.

But if the success of your new studio business relies on the responsiveness of your chosen aggregation partner, there's a lot on the line if that platform doesn't perform as promised. Having a good reputation as an aggregator means empowering studios, removing barriers to entry and streamlining processes for operators; this is how you distinguish yourself and make a name in aggregation.

Offering transparency on all sides, together with a hassle-free route to operators for suppliers, plays a major role in achieving that. For up-and-coming games studios, aggregation partners offer a tried-and-tested road to build market penetration and quickly gain brand visibility. But teaming up with the wrong platform provider, particularly one that closes lines of communication between operators and suppliers, can actually stunt a start-up's growth strategy. The most efficient way for studios to grow is to provide them with agility, transparent commercial terms, the tools they need and comprehensive support – from compliance through to technical assistance. Operators receive equal value in being able to access fresh, innovative content through a one-time integration.

Choice will always contribute to a platform's appeal, providing the lion's share of content offers quality, engaging games and distribution is strong. But collaboration throughout the distribution chain is playing a much bigger role in content delivery. With the intensity of competition between operators, the need to differentiate portfolios requires a change of tactics. Operators are engaging with platform providers and studios to develop tailored content and features that help set their online offering apart from competitors and offer a unique experience to players. The increased collaboration is in turn allowing developers to create intelligence-led innovation which must also be facilitated by the aggregation partner.

The number of existing suppliers branching out into the aggregation vertical may be increasing, but investment is heavy and there's a question mark over whether companies looking to add a new revenue stream can ever match the offering of a purpose-built platform. Critical to success is the combined total of your offering with support, choice, commercial transparency and cost efficiencies. It's in these areas you will find the recipe for success in platform provision.

"Ultimately, management is key: larger-scale platforms have lost their edge because the efficiency with which new integrations can be scheduled and games can be released has been forfeited in place of growth. "

GUEST COLUMNIST

DMITRY STAROSTENKOV
CEO, EVENBET GAMING

Starostenkov looks at the creative ways online poker can reassert its star power in a crowded marketplace

Diversify or die. It's not a new saying, but it's as relevant today as it's always been. It certainly applies to poker operators who are thinking of adding some casino muscle to an existing online poker offering or integrating a new facility.

After all, popular culture constantly reminds us we live in a quick-fix culture, with thousands of channels available at the touch of a button or screen; the short attention spans of millennials and Generation Z are ever-more prevalent and consequential, as engaged demographics mature. Instant gratification, it seems, has never counted for so much among the current crop of players.

Poker however, hasn't traditionally fitted into this hit-and-run milieu. Strategy, skill and the turn of the cards guard against rushed decisions or shorter-form betting opportunities. That said, with predictable pauses occurring within the check-bet-raise cycle, there's always been an organic window in which to capture the attentions of those wandering eyes among your client base.

Taking advantage of these natural opportunities with innovative solutions is, accordingly, the key to turning some of the more ominous prophecies around poker's long-term survival on their heads.

It's not immediately obvious though, what innovation in poker exactly entails. You can mention it as a generic catch-all buzzword, but few can articulate credible or compelling answers.

One strategy is to merge casino games and poker. For the online gaming market, this constitutes a new channel of content distribution.

Needless to say, delivering such an offering is the hard part. This is why any new merger or hybrid portfolio must make the poker gameplay entertaining for casual players and still retain its timeless appeal for old-school poker lovers.

Don't lose what made it great to begin with. Furthermore, never limit an operator's choice or its operations with the available content.

After all, just as civilisation is humanity's grand experiment, so too should we feel free to experiment in poker's microcosm: turn games off and on, mix up games from different vendors, trial designs so they can create a unique synthesis to better connect poker to a varied audience in an ever-changing ecosystem.

The rewards are palpable: enhanced engagement (alongside the accompanying profit margin), not to mention spikes in client acquisition, reactivation and retention from extended dwell time – still the ultimate aim for any online product.

Optionality and cutting-edge technology are the key components that will help you rise above the hubbub of an overcrowded marketplace.

Since genuinely revolutionary game mechanics come around once in a blue moon, the more fundamental challenge is to constantly embrace the trends and opportunities which pass up jarring revolution for the natural evolution of the poker vertical.

Structuring an innovative gaming environment which caters for all tastes and keeps eyeballs trained on a localised interface is the future. Otherwise, you risk losing the loyalty of your customers, who might migrate elsewhere to take advantage of other poker providers' simultaneous play options.

Sure, it won't be for every player. In fact, market research suggests the millennial and Generation Z waves have uniquely evolved to process this multi-layered functionality. I've always maintained too much choice has its pitfalls. But no choice at all can simply lead to disengagement.

So, in this age of relentless choice and variety, genuine innovation remains the cornerstone criterion.

> *"I've always maintained too much choice has its pitfalls. But no choice at all can simply lead to disengagement"*