



# WEEK 07

## FRIDAY 15 FEB 2019

### ROUND-UP: 2018 Q4 AND FY RESULTS ARE IN

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#### THIS WEEK

- UK horseracing's turbulent week
- Stride Gaming on the market
- Casino bill tabled in Brazil
- West Virginia to consider online gambling

#### GUEST COLUMNIST:

- **Rohini Sardana, Head of Product Propostions, SIS**



Christmas is over, the New Year celebrations have passed and ICE has come to an end. In financial terms, that can only mean one thing: it's Q4 and FY report season. Here are the highlights from reports released this week:

#### NetEnt

NetEnt's full-year revenue rose 9% year-on-year to SEK 1.7bn (\$183.3m) in 2018. The supplier also reported EBITDA of SEK 816m, an increase of 10%, with an EBITDA margin of 46%.

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# THIS WEEK IN NUMBERS



## 26-28

February, the dates for this year's Gaming, Racing & Wagering Australia conference

The percentage gambling revenue in Ohio increased year-on-year, to \$141m, in January



7 May will see new rules introduced by the Gambling Commission to tackle problem gambling

## 2022

The year to which Playtech BGT Sports has extended its sportsbook partnership with Codere

GameArt has been awarded the ISO 9001 certification

## 9001



Operating profit/EBIT was SEK 601m, a growth of 3%, corresponding to a margin of 34%. Speaking exclusively to *Gambling Insider* in November, CEO Therese Hillman foreshadowed the trading update by saying: "Our ambition has always been to outgrow the market, which we're not doing right now, so we're not happy with the current revenue growth."

For Q4, NetEnt reported a similar level of growth (9%) in revenue to SEK 465m.

### **Kambi** [\(Read an exclusive interview with CEO Kristian Nylén here\)](#)

Shares in Kambi were up 8% to SEK 218 (\$23.63), after the supplier announced a 22% revenue increase to €76.2m (\$86.3m) for 2018. Operating margin was 16.7%, up from 12.4%, while result after tax went up 66% to €9.8m. Earnings per share ascended 65% to €0.326m.

US expansion played a key part in Kambi's growth, as the supplier took the first online sports bet in New Jersey in August through its partnership with DraftKings. Revenue for Q4 was €21.7m, up 14% year-on-year, although this was only a mild increase on Q3's €20.5m revenue.

### **Betsson** [\(CEO Pontus Lindwall exclusively interviewed here\)](#)

Betsson bounced back from the "turbulence" the operator said it suffered in 2017 by reporting a 15% increase in 2018 group revenue, to SEK 5.41bn (\$580m). Of this growth, 11% was organic, while operating income (EBIT) grew a sizeable 35% to SEK 1.19bn.

For Q4, group revenue increased 14% to SEK 1.43bn, with an organic growth of 12%. All of Betsson's regions showed growth, while casino revenue was up 24% to SEK 1.07bn.

### **Cherry AB**

Within its Q4 update, Cherry AB confirmed the sale of approximately 98% of its total shares to European Entertainment Intressenter, while at the same time reporting heavy revenue and EBITDA increases during 2018.

On 25 January, EE Intressenter announced 43% of Cherry shares had been bought, while it was declared this week that 98% of shares were now under its control. In its trading update, Cherry reported a 44% increase in consolidated revenue to SEK 3.23bn for 2018 and an 89% rise in EBITDA to SEK 813m.

### **LeoVegas**

LeoVegas has decided to push back its financial targets to 2021, despite its consolidated revenue growing 51% to €327.8m in 2018. Full-year gross profit grew 45% to €235.5m, while EBITDA increased 60% to €41.6m, corresponding to a margin of 13%.

Reporting on Q4, LeoVegas saw its revenue increase by 25% to €84.5m, while the number of depositing customers rose by 29% to 327,156.

Despite the growth, CEO Gustaf Hagman has confirmed LeoVegas will be pushing back its financial targets by one year.

### **Gaming Innovation Group (GIG)**

GIG reported a 26% increase in full-year operating revenue to €151.4m. The supplier grew its EBITDA by 28% to €16.1m.

For Q4, GIG reported operating revenue of €39.9m, a 7% increase. According to Robin Reed, GIG CEO, the company matched its all-time high in Q4 B2C revenues, rising 2% year-on-year to €25.8m. However, EBITDA was €5m for the quarter, decreasing 36%.

### **Kindred Group**

The operator reported gross winnings revenue of £907.6m (\$1.16bn) for 2018, an increase of 21%. Underlying EBITDA also rose by 10% to £203.7m.

Profit before tax grew 13% to £149.5m while profit after tax increased by 12% to £131.6m.

The second annual SPiCE is one month away, with a full speaker line-up recently announced



The minimum age a celebrity has to be to work with a gambling operator



267

Suspicious betting alerts reported by ESSA (Sports Betting Integrity) in 2018

## UK HORSERACING RETURNS FOLLOWING EQUINE FLU

Horses returned to the racetrack in the UK this week after an outbreak of equine flu forced a national six-day shutdown. An announcement from the British Horseracing Authority (BHA) on Monday evening said a risk-managed return to racing would take place from Wednesday.

Racing was suspended following three initial positive tests for the disease, which all came from trainer Donald McCain's yard, while more were later discovered. To control the spread of the virus and protect horses' health, the BHA suspended racing on 8 February.

Investigating further, the BHA found four new positive tests in Newmarket, at the yard of Simon Crisford. Crisford said: "All horses at Kremlin House Stables, totalling 92 boxes, undergo a strict vaccination check and programme on their arrival. All four identified horses have been vaccinated within the last six months

along with the rest of the yard and in line with vaccination protocol."

After the BHA deemed it safe to return, two scheduled jump fixtures went ahead at Musselburgh and Plumpton, alongside the all-weather fixtures at Southwell and Kempton.

Brant Dunshea, the BHA's Chief Regulatory Officer, said: "Our approach since hearing about the first positive results has been based on accumulating as much information as we could as quickly as possible, so we could properly understand the risks of this virulent strain of flu spreading to more horses.

"That would be harmful to them and damaging to any trainers' yards that became infected."

Trainers planning to compete on Wednesday were advised by the BHA to declare at 10am on Tuesday. The BHA then reviewed the declarations to ensure no horses were entered which did not meet risk criteria.

# CHICKEN FOX



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20<sup>th</sup> February

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## THE WEEK IN QUOTES

*"Influencers are new and it's obviously a big buzz word in terms of a new marketing avenue; we would await research to give us an idea from an academic perspective about trying to quantify the influence"*

**"Andrew Taylor, Regulatory Policy Executive at the Committee of Advertising Practice, tells *Gambling Insider* about the power of influencers"**

*"Parx is a household brand in the gambling community in Pennsylvania. I am very excited we have secured this important agreement ahead of market opening."*

**Erik Nyman, Managing Director of NetEnt Americas, discusses the supplier's deal with Parx Casino**

## STRIDE GAMING CONFIRMS SALE CONSIDERATION

Stride Gaming has confirmed "recent press speculation" and is reviewing all strategic options to "maximise value for its shareholders."

The Sunday Times reported the online bingo specialist has put itself up for sale, with its share price trading at 66% below its September 2015 peak.

In a statement, Stride refuted the report's suggestion it was fined by the Gambling Commission on two separate occasions, clarifying there was only one £7m (\$9m) fine for subsidiary Daub Alderney.

However, the gaming firm has confirmed it is considering "potential industry consolidation" through a sale. Other strategic options being explored by Stride include "more aggressive international organic expansion" and the possibility of its own acquisitions.

Elsewhere, Stride maintained its "clear focus on winning and retaining mass market, recreational customers" and its belief the company will continue to be "highly cash generative."

Stride has appointed Investec as its financial adviser while reviewing all options. The company is now in an "Offer Period" as a result of its announcement. The Stride board expects to report on the review before announcing interim results for the period ending 28 February 2019.

At Stride's annual general meeting, which took place last week, Chairman Nigel Payne announced the company was experiencing "challenging trading conditions" which would ultimately require Stride to reduce its costs even further.

A spokesperson at Stride said: "The board reserves the right to alter or terminate the review process at any time and if it does so it will make an announcement as appropriate. The board also reserves the right to reject any approach or terminate discussions with any interested party at any time."

*“Scientific Games’ digital products have proven an excellent fit for National Lottery Bulgaria, outperforming our expectations within the first 24 hours of launch. Our players are engaging with the games immediately and we see demand and repeat gameplay growing every day.”*

**Milen Ganev, Managing Partner for National Lottery Bulgaria, on a new partnership with Scientific Games**

## THIS WEEK'S WINNERS AND LOSERS

### WINNERS

Cherry subsidiary Yggdrasil reported an increase of 62% in total operating revenues to SEK 274.2m (\$29.8m)

Gaming and Leisure Properties – Announced a 9% year-on-year revenue increase to \$1.05bn for 2018

Vbet – Announced several new ambassadors, including Fifa World Cup winner Youri Djorkaeff

Betinvest – Launched a new state-of-the-art website to provide information for gambling start-ups

New York – Only 44% of voters in a recent research poll would support online sports betting in the state, a long way off an outright majority

### LOSERS

## PROPOSED BRAZILIAN BILL WOULD SEE 32 CASINOS BUILT

Legislation in Brazil has been proposed which would allow states to build casinos based on their population.

Paulo Azi, a member of the Brazilian Democrats, has submitted a bill which could lead to 32 casinos being built in the South American country. In the proposal, states with a population of up to 15 million would be allowed to have one casino in their territory.

Two casinos would be permitted in states with a population of between 15 and 25 million, while those with a population any higher can build a maximum of three. The only state big enough to have three casinos would be Sao Paulo, with most only having the population to justify one, according to the bill.

If passed, the legislation would allow the opening of resort hotels and casinos, with licenses to be granted through a system of public bidding. Casinos will be able to occupy no more than 10% of the overall resort area.

To be approved, the bill needs to receive a majority vote from Brazil’s 513 MEPs, a majority vote from its 81 Senators and finally, presidential approval. This bill follows developments in the sports betting field from late last year. Brazil is firmly on course to legalise sports betting, according to Marcelo Munhoz da Rocha, legal advisor at BetConsult.

He said the South American country is currently “living a high expectation” with regards to the legalisation of fixed-odds sports betting, following the approval of Provisional Measure 846/2018 by both legislative Federal Houses and the Presidential Sanction.

Speaking in December, da Rocha said: “This development was received with great expectation by the general public and the Ministry of Finances estimates lotteries, including sports betting, could generate an income of about R\$30bn (\$7.7bn) for the Federal Administration.”

## ONLINE GAMING BILL PROPOSED IN WEST VIRGINIA

A bipartisan group of lawmakers are attempting to bring licensed online casinos to West Virginia.

Sports betting was legalised in the state 11 months ago and now a group of lawmakers, led by Delegate Jason Barrett, are seeking further expansion. To that end, the West Virginia Lottery Interactive Wagering Act aims to legalise online gambling.

The proposed bill would allow all four of the state’s racetrack casinos to operate online gambling sites, as well as The Greenbrier. Five-year licenses would cost \$250,000 each and revenue would be taxed at a rate of 10%. The bill also includes terms which would not allow certain offshore sites to offer online gaming.

Barrett said: “We have made great steps thus far in providing greater flexibility for the gaming industry in West Virginia, and I am encouraged by the support we have received on this particular online gaming initiative.

“Our house finance chairman has a real interest in taking up the legislation and I

believe it has great potential to pass with bipartisan support both in the house and senate.”

West Virginia was not the only state to discuss opening up online betting. A bill that would authorise sports betting online and on excursion gambling boats was introduced in Missouri on Tuesday.

Proposed by Senator Denny Hoskins, the bill, currently titled SB 44, requires bettors to first register an account in person at the gaming facility to enable their bets. Included in the bill are provisions to allow individuals to restrict themselves from betting with an operator.

Further measures require background checks on operators’ staff and prohibiting staff members from betting. The Missouri Gaming Commission would assume responsibility for regulating all sports betting activities and investigate abnormal betting activity, match fixing and any other possible corruption.

Should the bill be passed into law, it will take effect on 28 August.

## NJ SAME STORE FALLS

New Jersey same-store casino revenue fell 8.03% in January, despite going up against a weather-stricken month last year.

The decline can be attributed to newcomers Hard Rock and Ocean, which have taken market share since their June openings.

Resorts was the only casino to grow revenue, up 8.82%.

Sports betting handle rose 20.71% in January over December, while revenue fell 9.8%. Online handle once again tripled retail handle at \$304.974m.

At Meadowlands, where Paddy Power Betfair's FanDuel operates the sportsbook, once again led the state in revenue.

Hard Rock launched retail and online sports betting in the last week of January and generated \$25,235 in revenue.

Online gaming grew 52.96%, despite online poker's seventh straight month of declines. Golden Nugget continued its hot streak of online gaming growth, rising 66.85% and leading the state again, in terms of revenue generation and growth.

January had an equal calendar, with four Fridays, Saturdays and Sundays versus last year.

MARKET/PROPERTY	REVENUE (M)	PARTNER
SPORTS BETTING		
Meadowlands	\$7.018	PPB
Resorts Digital	\$6.894	TSG/DraftKings
Monmouth Park	\$2.003	WMH
Ocean	\$1.271	WMH
Borgata	\$0.677	IGT
Bally's	\$0.497	SGMS
Resorts	\$0.243	DraftKings
Tropicana	\$0.099	WMH
Golden Nugget	\$0.027	SBTech
Hard Rock	\$0.025	Gaming Innovation
Harrah's	\$0.021	SGMS
<b>Total</b>	<b>\$18.775</b>	
<b>NJ Total</b>	<b>\$229.645</b>	<b>+24.60</b>
<b>NJ Same Store</b>	<b>\$180.756</b>	<b>-1.93</b>

MARKET/PROPERTY	REVENUE (M)	(% CHANGE)	TABLE HOLD	
			2019	2018
Resorts	\$12.651	+8.82	18.6	18.2
Bally's AC (CZR)	\$12.131	-4.97	17.0	18.0
Borgata (MGM)	\$50.384	-6.04	14.3	15.8
Tropicana (ERI)	\$20.955	-8.55	17.5	16.5
Harrah's (CZR)	\$21.501	-8.65	17.8	20.3
Golden Nugget	\$14.583	-9.63	19.6	20.9
Caesars (CZR)	\$17.110	-21.33	16.1	23.6
Hard Rock	\$15.577	N/A	4.8	0.0
Ocean	\$12.383	N/A	15.9	0.0
<b>AC Land-based Total</b>	<b>\$177.276</b>	<b>+9.19</b>		
<b>Same Store</b>	<b>\$149.315</b>	<b>-8.03</b>		
MULTIPLE PROPERTY COMPANIES				
Caesars	\$55.318	-9.91		

MARKET/PROPERTY	REVENUE (M)	(%) CHANGE	(%) SHARE	PARTNER
INTERACTIVE				
Golden Nugget SGMS	\$12.180	+66.85	36.3	PPB, GAN,,
Resorts Digital	\$6.447	+65.84	19.2	SGMS, TSG
Caesars (CZR)	\$4.576	+36.50	13.6	888, SGMS
Borgata (MGM)	\$4.742	+14.18	14.1	GVC, Pala
Tropicana (ERI)	\$3.496	+6.92	10.4	Gamesys
Hard Rock Innovation	\$1.623	N/A	4.8	Gaming
Ocean	\$0.531	N/A	1.6	GAN
<b>Online gaming total</b>	<b>\$33.594</b>	<b>+52.96</b>		
<b>Same Store</b>	<b>\$31.440</b>	<b>+43.16</b>		
Casino	\$31.712	+58.47		
Poker	\$1.883	-3.48		

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## GUEST COLUMNIST



### ROHINI SARDANA

HEAD OF PRODUCT  
PROPOSITIONS, SIS

*Sardana assesses what's  
needed to optimise the  
current esports betting offer*

Recent reports from betting researchers at NJGames.org and Eilers & Krejcik Gaming both predict esports online betting is forecast to be worth around \$13bn by 2020. It's safe to say this is a vertical with real growth that is showing no sign of abating.

While the rise of esports may have begun in Asia, it is no longer just an Asian phenomenon; it's now a global one. Just witness the interest and debate within the International Olympic Committee around the possible inclusion of esports as a medal event in the Olympic programme.

Such attention alone is recognition of esports' worldwide potential, and where sporting popularity leads, sports betting invariably follows, as has been shown by the growth in betting on esports over the last few years. As part of our ongoing product development process, our customer and consumer research suggested that, from the operator perspective, there are challenges around making esports a profitable betting vertical. We also found the current esports betting offer is not optimised for sports bettors, as the game formats are not aligned with events which bettors presently bet on.

Our new esports betting product – SIS Competitive Gaming, has been created with sports bettors in mind and has been built for sportsbooks and casinos which want to accommodate esports. The "head-to-head" games are run across familiar titles such as ice hockey, basketball and Street Fighter, with markets which are familiar and intelligible to sports bettors, be they seasoned or novice.

We unveiled SIS Competitive Gaming at ICE London last week, and the reception from both conference delegates and the trade media was hugely encouraging. As referenced earlier, every game is a head-to-head contest between two qualified gamers. These match-ups are designed for betting, providing sportsbooks and bettors with a high volume of events and markets to bet on, with event schedules optimised for operators to drive profitable betting.

Another challenge at present with the esports betting offer is the dedicated live streams of matches are not currently broadcast on operators' sites. There is a real opportunity to optimise the customer experience here, by offering live pictures, which neatly avoids the need to navigate between multiple tabs in order to view games and place a bet.

SIS Competitive Gaming now offers an industry-first: a multi-genre betting product, featuring live pictures of video gaming competitions between qualified players on a range of sports-themed titles. The proven "Watch and Bet" model is also increasingly helping keep bettors engaged for longer, especially when complemented by on-screen calls to action which drive additional betting dramatically.

More than 15,000 events will be broadcast live from Las Vegas over the coming year, with the possibility of upscaling this to a 24/7 offer. It's an innovative approach and something that hasn't been seen before within the esports betting sector.

Integrity around esports events remains a key challenge and is a key part of our product offer. We have put in place a number of robust processes and checks to ensure each match is fair for the benefit of both the operators and bettors. All matches are moderated by a dedicated integrity referee, fully trained by the Esports Integrity Coalition (ESIC) to ensure fair play and transparency. The referee also has a direct link into our trading team, which allows us to flag and deal with any issues immediately – and, if necessary, suspend betting.

Esports is continuing to grow and we believe our groundbreaking esports betting product can help step-change the betting vertical.

*"While the rise of esports may  
have begun in Asia, it is no  
longer just an Asian phenomenon.  
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