



WEEK 08

FRIDAY 22 FEB 2019

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ICAHN AND FERTITTA PURCHASE CAESARS ENTERTAINMENT SHARES

THIS WEEK

- New allegations in Wynn Resorts case
- Dutch Senate approves Remote Gaming Bill
- Colossus Bets COO speaks to *GI* about US plans
 - 888 acquires Mandalay portfolio

GUEST COLUMNIST:

- Kevin Reid, Chief Commercial Officer, 1X2 Network



Activist investor Carl Icahn has confirmed the purchase of a 10% stake in Caesars Entertainment, with the operator releasing a public response to the investment.

It was reported last Saturday the billionaire had acquired shares in Caesars, with Tilman Fertitta also said to have become an investor. Icahn made the move public in a filing with the Securities and Exchange Commission on Tuesday.



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THIS WEEK IN NUMBERS

Increase in Better Collective's revenue during 2018, despite a fall in profit



Online gaming handle in the state of Delaware during January, generating \$279,000 in revenue

23-24 October 2019, the date of the inaugural Responsibility in Gaming Conference, taking place in Brussels



April, the date of the first-ever Minsk iGaming Affiliate Conference, dedicated to online gaming, affiliate marketing and affiliate programmes

The total amount MGM Resorts saw its consolidated net revenues grow to in 2018



The investor is far from content with proceedings as they are however, calling for representation on the Caesars board and urging a sale of the company. The 83-year-old has additionally suggested nominating a slate of directors at the 2019 annual shareholders' meeting.

Icahn's filing said: "The reporting persons acquired their positions in the shares in the belief the shares were undervalued. The reporting persons have spoken to, and intend to continue to speak with, representatives of the issuer's board of directors and management to discuss enhancing shareholder value, improving asset optimisation and seeking board representation, including, if necessary, by nominating a slate of directors at the 2019 annual meeting.

"We also intend to have discussions with other stockholders to understand their perspectives and priorities. The reporting persons believe the board should conduct a strategic process to comprehensively assess the best path forward for Caesars and believe shareholder value might be best served, and enhanced, by selling the company."

Caesars CEO Mark Frissora announced he was stepping down in November but is yet to be replaced and Icahn wants the company to delay any future appointment. Frissora's tenure has been extended to April, but the billionaire is against a further extension.

Icahn's filing continued: "We believe our brand of activism is well suited to the situation at Caesars, which requires new thought, new leadership and new strategies. We have acquired a substantial investment in the issuer in the belief it will provide us with significant influence in the company's future.

"We look forward to holding discussions with the board, and importantly, we expect the issuer to refrain from appointing a new CEO (or further extending Frissora's tenure), until we have had an opportunity to meaningfully engage with the board."

On Wednesday, the operator responded to the filing, stating it intends to "carefully evaluate Mr Icahn's suggestions, including his request for board representation." In a conclusion that didn't give too much away, Caesars said its board "remains open to all reasonable alternatives to enhance value for stockholders." It went on to confirm "previous alternatives" had been proposed, which were considered to undervalue the company.

One of those was Fertitta's "reverse merger" offer with Golden Nugget in October, rejected by the Caesars board. The investor is reported to have bought around 4 million shares this time around – a less than 1% stake – and remains interested in M & A of some kind.

The important issue surrounding Caesars' future is the approach it will take to M & A. Icahn is another investor in favour of it but nothing has so far come of a series of rumours surrounding potential deals.

As well as Fertitta's Golden Nugget offer, a merger with MGM Resorts International was mooted in November, while news has surfaced of Eldorado Resorts approaching Caesars within the last few months. Preliminary contact is said to have been made, although the talks once again did not result in anything concrete.

Caesars shares are up in 2019, having started the year trading at \$6.92 and closing on Tuesday at a share price of \$9.62. This follows a low of \$5.90 on 24 December 2018.

The operator's share value still has plenty of recovering to do, having been in steady decline since hitting \$11.70 on 20 July. In the space of 12 months, Caesars' share price has almost halved, having started February at \$14.35.

But fluctuation is understandable, given the operator is still undergoing restructuring following its bankruptcy in 2015. Uncertainty is fuelling opportunity for investors such as Icahn, who was the world's 73rd-richest person in 2018 and has since risen to 62nd, according to Forbes.

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Arrests made by Malaysian police in cases of illegal gambling during the Chinese New Year period

1,035



38%

Rise in Evolution Gaming's operating revenue in 2018, to €245.4m (\$287.5m)

NEW ALLEGATIONS IN WYNN RESORTS CASE

Sterling Suffolk Racecourse has filed new allegations in the federal case against Wynn Resorts.

The complaints in the ongoing lawsuit in Boston's US District Court allege Everett Mayor Carlo DeMaria received "kickbacks" (bribes) as a result of disputed land acquisition agreements.

The lawsuit states: "By fraud, kickbacks, political cronyism crossing the line of legality and other unlawful methods, the defendants conspired to fix the application process.

"The defendants herein conspired to, and did in fact, circumvent the safeguards and protections the Gaming Act was intended to provide."

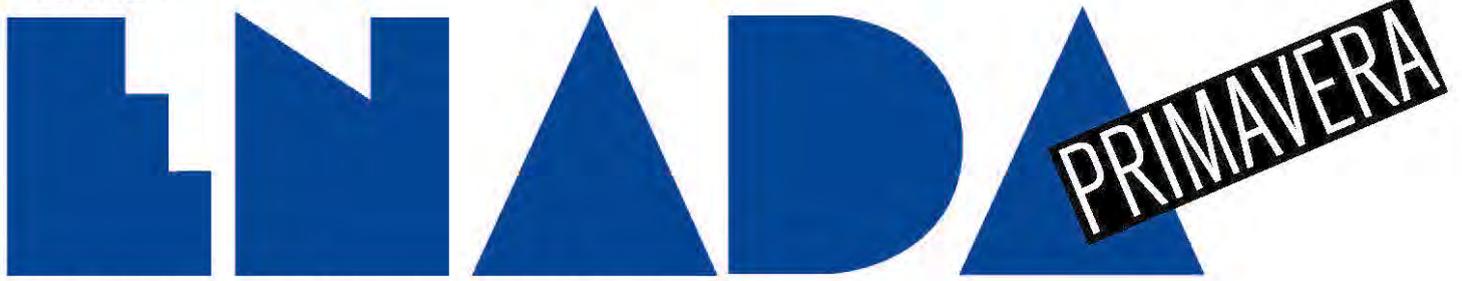
In response, DeMaria is quoted as having reiterated his support for the casino and the immense potential it brings to Everett. He denied claims made by Sterling Suffolk Racecourse. Originally filed in September, Suffolk

Racing's lawsuit seeks damages to the amount of \$3bn.

Michael Weaver, Wynn Resorts CCO, said: "This is a repackaging of the baseless claims Suffolk Racing has been making since it failed to win a license based on the merits four years ago. We will continue to defend ourselves in court."

Wynn Resorts' \$2.5bn Encore Boston Harbor venue is scheduled to open in late June, but the Massachusetts Gaming Commission is still reviewing the application after the sexual abuse case against Steve Wynn slowed progress.

Last month, Wynn Resorts admitted executives failed to report sexual misconduct allegations against Wynn. The Nevada Gaming Control Board continued its investigation into the case after Wynn resigned in February last year. A settlement was reached between the two parties after Wynn Resorts admitted to the failings.



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THE WEEK IN QUOTES

"[To say] this latest missive from the Department of Justice (DoJ) is perplexing is an understatement. It's just, we think, an absurdly, poorly written and unenforceable opinion and I don't think anyone in the industry feels any differently."

MGM Resorts International Chairman and CEO Jim Murren criticises the DoJ's Wire Act reinterpretation

"Online activity is sufficient to constitute doing business in the Philippines. Thus, a foreign corporation engaged in Philippine offshore gaming operations is considered a resident foreign corporation engaged in business in the Philippines, not a non-resident foreign corporation."

Arnel Guballa, Revenue Deputy Commissioner for Operations at the Bureau of Internal Revenue (BIR) discusses Philippine offshore gaming operators

DUTCH SENATE APPROVES REMOTE GAMING BILL

The Dutch Senate has approved the Remote Gaming Bill, two-and-a-half years after the bill was passed in the House of Representatives.

The legislation will regulate online gaming - currently illegal in the Netherlands - with the aim of combating the Dutch unregulated sector. Licenses will be granted from mid-2020, providing there are no more delays to the process.

The bill includes a number of responsible gaming measures, while also giving the Kansspelautoriteit (KSA, the Dutch regulator) more powers.

René Jansen, KSA Chairman, called the approval a "milestone," saying in a statement: "The amendment of the Betting and Gaming Act enables the KSA to protect participants in online games of chance. This is not possible in an illegal market. With this modernisation of the law, it is more possible to enforce a safe game in a fair market, as players will at least play with a provider with a permit."

Jansen will be smiling from ear to ear at the news, as the KSA Chairman

was only appointed last August. His predecessor, Jan Suyver, cut a frustrated figure upon retiring at the tail end of 2018.

The source of his frustration was the failure to approve the Remote Gaming Bill and his disappointment led to a memorable exit interview. He said at the time of his departure: "Unfortunately we were not allowed to do what we wanted to do. For that reason I do not look back with great satisfaction.

"A nice organisation has been set up, but politics has not delivered what we were promised at the start of the Gaming Authority: a toolbox to steer online gambling on a regulated market. I've become pretty cranky now and again. There was a lot of complaining in the Lower House. Only slow down, ball wide and then play back, just to speak in football terms."

Suyver will either be delighted he helped pave the way for the Remote Gaming Bill's adoption, or questioning why it couldn't have happened just a few months earlier.

“We’ve known the people who run Project a very long time. They are very much a UK-focused developer on the land-based side with great poker products and some core, well-known UK games. It will bring a different style to Blueprint. We’ve got four or five internal studios at the moment, so Project will add another string to our bow.”

Matt Cole, Blueprint Gaming Managing Director, discusses the company’s Project acquisition with *Gambling Insider*

THIS WEEK'S WINNERS AND LOSERS

WINNERS

SportPesa – finalised its title partnership agreement with Formula One team Racing Point.

NetEnt – was issued with a permanent Casino Service Industry Enterprise license in New Jersey

International horseracing – provided an alternative during the six-day UK horseracing ban, the result of an equine flu outbreak

UK bookmakers – set to trial new stake limits on fixed-odds betting terminals across Birmingham in March

Paddy Power Betfair – is set to contest recent tax assessments regarding its time in Germany and Greece

LOSERS

COLOSSUS BETS COO: “WE WANT TO BRING CASH OUT TO US HORSERACING”

The week before ICE London 2019, Colossus Bets broke the news it had been issued with a totalisator license by the Oregon Racing Commission. *Gambling Insider* was to find out at the event itself this was just the beginning for the company’s operations across the pond.

COO David O’Reilly explained: “There are two broad purposes to that US licensing. The first is to be able to offer our British and Irish horseracing pools to US tote companies, as we’ve had quite a bit of interest from Cumberland US operators that want pools with modernised features, with cash outs, with syndicates etc.

“We’ve done it as we also have a lot of demand among existing US horseracing totes and cash out on their own pools. Cash out has been a huge success in the UK and Europe and it is inevitably going to be a big success in the US; when sports betting takes more of a foothold in the US, existing horseracing pools need to modernise.

“A leg-by-leg cash out on a multi-leg North American racing pool is something they want and we’ve got the risk management, technology and a significant portfolio to provide them with.”

Without revealing too much information and keeping his cards close to his chest, it was clear 2019 will be an important year for the COO and Colossus Bets.

O’Reilly said: “We have three or four things in the pipeline coming to fruition at the moment. We want US punters betting into our UK and Irish horseracing pools; we want US locals to be able to cash out on their own local pools through our technology and we want to grow our own B2B partner network.”

The totalisator license issued by the Oregon Racing Commission appears to be the first of many things on Colossus Bets’ 2019 agenda. With plenty of plans in place, O’Reilly is confident the operator will be making further announcements over the coming months.

888 ACQUIRES MANDALAY PORTFOLIO FROM JPJ

Operator 888 has acquired a portfolio of Jet’s digital bingo brands, previously under the control of JPJ Group, to strengthen its position within the UK online bingo market.

For a fee of £18m (\$23.3m), 888 has purchased several brands from Jet, which previously operated as B2B brands on 888’s Dragonfish Bingo Platform. Of this fee, £12m will be paid upon completion of the takeover and £6m in September 2019.

The Mandalay portfolio, which includes Costa Bingo, City Bingo and Sing Bingo, will now function on a B2C basis.

Itai Pazner, 888 CEO, said: “The group continues to deliver its stated strategy of expanding across global regulated markets. This expansion is underpinned by organic growth initiatives supported by exploring value-enhancing M & A. We are pleased to announce the acquisition of this portfolio of brands, which includes the well-established Costa Bingo.

“We are confident consolidating these brands into our existing B2C portfolio will

deliver synergies and growth opportunities by applying the full extent of 888’s core capabilities in product, marketing and customer relationship management to their operations.”

The announcement of 888’s bingo acquisition follows the company’s January launch of its casino brand in the regulated Portuguese market.

The operator also entered the Swedish market this year and plans to launch 888Poker in Portugal within the next few months. Pazner described 888’s entry into the Portuguese market as another step in the company’s growth strategy, which is focused on diversification and expansion.

The CEO recently spoke at length with *Gambling Insider* about 888’s strategy, following his appointment to succeed Itai Frieberger.

[“Click here to read the interview in full!”](#)



NORTHEAST REVENUE UPDATE

Gaming revenue across northeastern states in the US were a mixed bag in January, as Connecticut and Massachusetts declined, while Pennsylvania rose.

Connecticut slot revenue fell 9.05%, as nearby competition MGM Springfield in Massachusetts hurt results. Penn National's Plainridge Park in Massachusetts also declined, down 0.91%.

MGM Springfield's revenue was down 8.73% compared to December.

The property generated \$13.096m in slot revenue and \$6.602m in table revenue. Slot hold was down again at 7.24%.

Pennsylvania had a strong month in which both slots and tables were up on an easy comparison as last year's results were hurt by winter weather.

Northeast casinos once again dragged down the state due to Empire Resorts' nearby casino Resorts World Catskills in New York. Casinos outside the northeast grew 6.24%.

Rush Street and Penn National both had strong months of combined property growth.

MARKET/PROPERTY	REVENUE (M)	(%) CHANGE
CONNECTICUT		
Foxwoods	\$31.000	-8.64
Mohegan Sun	\$40.708	-9.35
State total	\$71.708	-9.05

MARKET/PROPERTY	REVENUE (M)	(%) CHANGE
MASSACHUSETTS		
Plainridge Park (Penn)	\$12.379	-0.91
MGM Springfield (MGM)	\$19.698	N/A
Total	\$32.077	-5.87
PENNSYLVANIA		
Philadelphia:		
Parx (Greenwood)	\$49.503	+8.56
Valley Forge (BYD)	\$11.279	+8.24
SugarHouse (Rush Street)	\$26.424	+6.91
Harrah's (CZR)	\$20.615	-2.98
Philadelphia total	\$107.821	+5.72
Northeast PA:		
Sands Bethlehem (LVS)	\$39.373	-4.27
Mt. Airy	\$12.534	-9.93
Mohegan Sun	\$16.374	-12.61
Northeast PA total	\$68.281	-7.46
PITTSBURGH:		
The Meadows (Penn)	\$19.154	+16.99
Rivers (Rush Street)	\$30.330	+12.75
Pittsburgh total	\$49.484	+14.36
ELSEWHERE:		
Hollywood (PENN)	\$17.957	-1.80
Presque Isle (CHDN)	\$8.769	-3.74
Lady Luck Nemaquin (ERI)	\$1.939	-18.95
State total	\$254.252	+2.18



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GUEST COLUMNIST



KEVIN REID

CHIEF COMMERCIAL OFFICER,
1X2 NETWORK

Reid shares insight on how smaller slots developers are able to deliver a knockout punch to their bigger rivals

In the past, if you looked at the majority of game lobbies at tier one online casino brands, you would see the same slots from the same big-name suppliers dominating the charts. I am talking about titles such as Starburst (NetEnt), Immortal Romance (Microgaming) and Cleopatra (IGT).

But in recent months, a revolution has swept across the online casino sector with new, innovative titles from up-and-coming developers knocking these chart toppers off their perch. Some of these slots have smashed records, in terms of spins and amounts wagered, and they are setting the standard when it comes to compelling gameplay.

So how are these developers boxing clever in a market full of heavyweights?

The first thing they are doing is taking advantage of their underdog status; large studios can become weighed down by the huge expectations placed on their shoulders by players, operators and even their own investors.

While smaller operators still have to meet market expectations, they have greater freedom to push the boundaries, take risks and generate new ideas. Of course, the aim of the game is for an idea to be a stroke of genius and to become the next big thing in slot development. Companies are made off the back of this.

Take Big Time Gaming, for example. It was not a tier-one developer brand until the release of Bonanza, and now it is toppling giants with subsequent game releases White Rabbit and Extra Chilli. This has led to the major IP coup with Who Wants To Be A Millionaire?

This is all because they pushed the needle with the invention of their unique maths and gameplay. Here at 1X2 Network, and specifically our Iron Dog Studio subsidiary, we tip our hats to these innovators and are looking to do the exact same thing.

We are combining the need to make popular games that deliver stable returns (for us and our partners) with titles that boast highly creative and ground-breaking features. It is relatively easy to make a slot that generates revenue, but unless it goes on to become a global blockbuster, its lifecycle can be surprisingly short – I'm talking months here.

So what makes a blockbuster game, and why are smaller studios increasingly producing them over their larger rivals? There are two approaches; as mentioned above, you design and develop a slot that offers something truly unique – our Neon Jungle title, for example, has a never-seen-before keno bonus round.

The other approach is to look at every component of a slot game, and make sure each aspect is made to be the absolute best it can be; no fancy tricks or gimmicks, just a slot game that has been finessed to deliver the best player experience possible. This is the approach we took with Blood Queen – one of our most successful releases to date.

The advantage of being a relatively small developer is that we can try new things, and if for whatever reason they don't work, there are, on balance, fewer consequences than that of a big developer. It means the pressure is not so intense, and we can just focus on doing what we do best – creating the most exciting slot games in the market.

That said, we still have to box clever. Just like big-name developers, we have operator partners that expect our games to perform well, and while everyone loves to see new features and mind-blowing creatives, they want games that deliver consistent returns in the long term. As a developer, that means knowing when to jab and knowing when to go for the knockout.

Smaller operators, perhaps obviously, have much smaller teams. This means it is vital to bring the brightest minds and creative talents in the sector, and to give them the freedom to try new things. That said, there also needs to be structure and oversight, so constructive criticism is a key part to how smaller developers move the needle.

Larger developers, on the other hand, have to contend with internal issues brought about by having large teams and strict procedures and processes for creating new games. It could be argued this can stifle innovation and create a situation where there are simply too many people working on a single title. Smaller developers don't have this problem.

This explains why some of the larger developers are launching subsidiaries and independent studios; while still part of the parent company, they are operated in the same way as a start-up to foster the creativity and experimental culture found at smaller studios.

By being lean and mean, by striking the right balance between quality and innovation, and by working in an environment where there are few expectations, up-and-coming studios are becoming the underdogs that deliver the knockout punch.

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