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WEEK 01

FRIDAY 03 JAN 2020

**DRAFTKINGS – SBTECH
TALKING POINTS: GAVIN
ISAACS, KAMBI AND MORE**



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WEEK 01

FRIDAY 03 JAN 2020

DRAFTKINGS – SBTECH TALKING POINTS: GAVIN ISAACS, KAMBI AND MORE

THIS WEEK

- **SG Digital exec speaks to *GI* about US market**
- **Sports betting launches in New Hampshire**
- **Affmore CEO talks to *GI* about 'usability'**
- **Everi buys marketing firm**

GUEST COLUMNIST:

- **Rachel Swann,
Commercial Director,
3Radical**



Just as I thought it would be a slow news week at Christmas, DraftKings saved its showpiece party trick for the end of the year.

Announcing the acquisition of supplier SBTech, the operator confirmed it will become a publicly-traded company through Diamond Eagle Acquisition Corp. in 2020.

It's fair to say this merger was not quite as big as 2019's other two mega deals: Eldorado Resorts acquiring Caesars Entertainment for \$17.3bn and Flutter

HAPPY NEW YEAR from GI



THIS WEEK IN NUMBERS



The enterprise value following Gateway Casinos and Entertainment's merger with Leisure Acquisition Corp.



\$36m

The amount Las Vegas hotel casino Lucky Dragon was sold for at the turn of the year

14%

Year-on-year fall in Macau gross gaming revenue for December 2019



AU\$230m



The amount Archer Capital acquired Australian operating group Funlab for in December (US\$160.6m)

Entertainment purchasing Stars Group for a potential market capitalisation of \$11bn. The new DraftKings will be worth around \$3.3bn.

From a digital perspective however, there is no denying the size and resonance of this partnership. Delving deeper, here are a few other discussion points from the gaming industry's latest round of consolidation.

DRAFTKINGS RESPONDS TO INDUSTRY M & A

When DraftKings CEO Jason Robins told us at ICE London earlier this year the organisation "might do some M&A of our own," he exuded a quiet confidence we now know was fuelled by a genuine plan. When Flutter acquired Stars Group in October, we posed the question of what now happens first to William Hill – and then to DraftKings.

The operator has responded emphatically. We know, of course, reports had surfaced as early as June of M & A with SBTech, while Diamond Eagle's interest was also rumoured in October. This is no knee-jerk response to any other industry activity.

But this is a strong statement from DraftKings. It is now a public company; it now has its own proprietary sports betting technology. It's primed for rapid growth.

TRUST THE RUMOURS – BUT BE PATIENT...

Based on the Flutter merger, we wrote a piece last month suggesting the DraftKings takeover reports were unsurprising but that the market should not expect too much activity too soon.

In principle, the message stands – once you hear this level of speculation in the gaming industry, expect something to happen a few months down the line.

I obviously have to admit however, this deal happened a little quicker than I anticipated – just five weeks or so after urging the market to be patient!

GAVIN ISAACS AND JASON PARK PLAY THEIR PART

At a conference earlier this year, an industry insider suggested to me, off the record, he suspected Scientific Games would acquire SBTech. This followed the employment of former Scientific Games CEO Gavin Isaacs as SBTech Chairman. That prediction wasn't quite there, but was almost spot on. Clearly, Isaacs was brought in for M & A purposes.

The Australian executive played his part and so too did new DraftKings CFO Jason Park. Hired earlier this year, Park was brought in with the background of being a tech financing expert. Given this deal, his appointment was no coincidence and both he and Isaacs have played an influential part in another industry-defining transaction.

WHAT HAPPENS TO SBTECH EXECUTIVES AND KAMBI?

Another up-to-this-point unanswered question is exactly what will happen to the SBTech senior management team. It has been confirmed the executive team will be integrated into the business, with DraftKings CEO Robins leading the merged company alongside the DraftKings management team.

But what exactly will happen to SBTech CEO Richard Carter and the rest of the supplier's senior team? What will also happen to the number of partners to have signed with SBTech who are now going to be working with DraftKings instead?

An equally interesting caveat is exactly where this deal leaves Kambi. The supplier has a number of existing partnerships with DraftKings and may well retain them. But things will no doubt be affected long term, with the operator having acquired one of its key competitors in the sports betting supplier space. At the very least, things will feel rather different.

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SG DIGITAL EXEC: OVERTURNING OF PASPA “OPENED THE METAPHORICAL FLOODGATES”

Keith O’Loughlin, SVP, Sportsbook and Platforms at SG Digital, has told *Gambling Insider* PASPA’s overturning “opened the metaphorical floodgates” with regards to sports betting.

Discussing the difference in public attitudes towards gambling in the UK and US, O’Loughlin explained how a contrast in maturity means the markets are in different stages.

He said: “I think the maturity of the UK market leads to a more familiar environment for gaming generally.

“That’s not to say it isn’t accepted in the US; rather, the US market is learning about newly regulated forms of gaming, such as sports betting, at a steady pace and working towards a wider audience and market penetration.”

When asked whether US attitudes towards sports betting had changed post-PASPA, O’Loughlin said:

“Absolutely. PASPA’s repeal opened the metaphorical floodgates, and sports betting progressively has become more ingrained in the conversation

surrounding gambling as a whole.

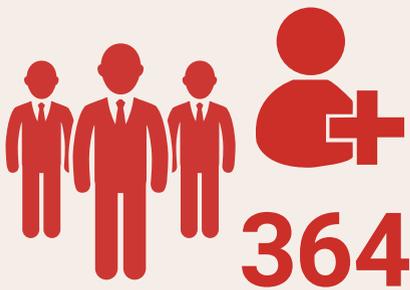
“The US seems open to change and growth in sports betting and it is a great opportunity for suppliers and operators to offer new and innovative solutions tailored to the US customer. The PASPA decision was the spark that ignited this change and it hasn’t slowed since.”

O’Loughlin also addressed whether an increase in gambling advertising in US sports will negatively impact the industry’s image in the country.

He said: “It’s hard to say, really, but we have to learn from historical trends and move forward with previous successes and hiccups equally in mind.

“As the US audience forms and sports fans start to have a better grasp on sports betting, the industry needs to take stock of what’s working, what isn’t, and how bettors and non-bettors react to a changing landscape.”

The full feature will appear in the Jan/Feb issue of *Gambling Insider* magazine.



VBet joined the global Nobet364 movement by switching off its online casino on Christmas day

THE WEEK IN QUOTES

“Flutter has been a major supporter of horseracing for several decades and this landmark agreement with ARC and ATR ensures this will continue for many more years.”

Peter Jackson, Flutter Entertainment CEO, commenting on the operator's new long-term rights deal with three of Britain's largest racecourse operators

“In days to come, online gambling will completely disappear. To me, if Cambodia's economy continues to rely on online gambling, Cambodia's national security will be compromised. We'll be under the threat of organised crime groups who will come to Cambodia to carry out their activities.”

Cambodian Prime Minister Hun Sen on the country's online gambling market

“We know the value of the Racing Post and how it has been the cornerstone of the greyhound and horseracing betting industry for years. Partnering with Racing Post's mobile and desktop products broadens the options for both Betfair and Racing Post customers.”

Rich Hayward, Betfair Commercial Director, discussing Betfair's integration on the Racing Post app

DRAFTKINGS LAUNCHES SPORTS BETTING IN NEW HAMPSHIRE

New Hampshire has become the latest US state to offer sports betting, after DraftKings agreed a six-year deal to offer sportsbooks to the state's players.

New Hampshire will receive 50% of the revenue and sports betting is expected to generate an estimated \$7.5m for education in fiscal year 2021 and \$13.5m two years later.

Chris Sununu, Governor of New Hampshire, placed the first bet when he put money on the New England Patriots to win the 2020 Super Bowl.

DraftKings will operate as many as 10 retail sportsbook locations throughout the state.

After the US Supreme Court paved the way for states to allow sports betting in 2018, it has now launched in 14 states and been approved in another six states, along with Washington DC.

Sununu said: “Sports betting is the right bet for New Hampshire.

The launch of sports betting will also benefit our education system– a win for our kids.”

Matt Kalish, DraftKings Co-founder, said: “As a New England-based company, DraftKings is honoured to launch our American-made sportsbook product in New Hampshire for the start of the NFL play-offs.”

The New Hampshire launch completes a busy month for DraftKings, which recently announced a business agreement to purchase sports betting supplier SBTech through acquisition company Diamond Eagle Acquisition Corp.

Michigan was another state to legalise sports wagering in December, while also writing online gambling into law.

Michigan Governor Gretchen Whitmer signed the state's sports betting and online gambling bill into law, as Michigan hopes to have sports betting rolled out by early March, in time for the NCAA Men's Basketball Tournament.

AFFMORE CEO: USABILITY KEY FOR AFFILIATE PROGRAMS

Robert Reinikainen, Founder and CEO of Affmore, believes affiliate programs are too often overcomplicated with outdated features.

Speaking with *Gambling Insider's* monthly affiliate publication, *Trafficology*, Reinikainen explained why usability was a priority when creating the Affmore affiliate program in 2015.

He said: “Usability was a main focus. We found in other programs there were so many features no one even uses, or someone might have used 15 or 20 years ago but are completely useless nowadays.

“You have to scroll around lots to really know what you're doing with offerings like that, so we decided we had to be completely user friendly.

“We wanted everyone to be able to use our program right away.

“We also focused on being able to track everything. We wanted to be as open as possible and show

all the information from the players live. Now we are almost there with only a 15-minute delay on the stats.

“We want this to be as fast as possible so everyone can see right away how they are doing, and since the beginning we have never missed any clicks or registration.”

In addition to being simple to use, Reinikainen believes a program must be flexible to accommodate shifting market trends and regulations.

He said: “We knew the program wasn't going to be completely perfect straightaway, but the idea was we would build it so well stats-wise and tech-wise it wasn't going to fall apart, and if we needed to change anything later on we would be able to do so.

“It doesn't matter what trends the industry takes because we can change the program in a matter of minutes.”



Leap into the future

THIS WEEK'S
WINNERS AND LOSERS

WINNERS

Newgioco – The company began trading its common stock on the NASDAQ Capital Market on 27 December

Reef Casino – Had its insurance raised from \$487,000 to \$1.3m, after the risk of natural disasters and climate change was reassessed

Nevada – The Silver State saw its gaming revenue fall 3% year-on-year for the month of November

Tsukasa Akimoto – The member of Japan's Liberal Democratic Party (LDP) was arrested in connection with allegations he accepted bribes from a gambling company based in China

LOSERS

EVERI HOLDINGS ACQUIRES SOFTWARE MARKETING COMPANY FOR INITIAL \$15M

Everi Holdings has announced the acquisition of Micro Gaming Technologies (MGT) for an initial fee of \$15m.

The deal includes subsidiary Everi Payments sealing certain strategic assets, such as products, software and technologies from Las Vegas- based casino marketing provider MGT, boosting Everi's portfolio of fintech products and services.

Everi, which supplies technology solutions and gaming machines in the casino and gaming industry, will pay \$15m initially, with a further \$5m expected to be paid by April 1 2020, and \$5m more by December 24 2021.

Everi EVP and FinTech Business Leader Darren Simmons said: "The acquisition of MGT assets will further strengthen our ability to provide our customers with a one-stop shop of comprehensive, integrated solutions.

"By combining our existing Everi player loyalty and marketing solutions with these assets from

MGT, we will be better-positioned to offer our customers the industry's most extensive suite of loyalty and marketing technology.

"We have already begun the process of developing a roadmap for integrating the best functionality of MGT's platform with the best of our existing loyalty and FinTech suite of products and services."

The news follows the announcement that saw Everi partner with Scientific Games to launch online gaming in New Jersey, with plans to expand in Europe and Canada next year.

Everi posted revenue of \$134.6m or Q3 2019, surpassing the Zacks Consensus Estimate by 4%.

Earlier in December, Everi also announced it had successfully completed the repricing of the senior secured term loan under its credit agreement dated 9 May 2017.

This reduced the applicable interest rate on the company's term loan.

STRIP REVENUE SLIPS, VISITATION GROWS

Gaming revenue on the Las Vegas Strip fell 3.09% year-on-year for November, down for the second straight month.

Weak high-end play from Asian customers continues to plague the Strip, as telegraphed by gaming analysts and companies on earnings calls.

The weak high-end Asian play is also evident by baccarat play, which fell more than 30%.

The Strip would have risen 1.22% with baccarat factored out.

Table hold was slightly below last year, while slot handle inched up 0.87%.

Soft results trickled into nearby markets, while Downtown Las Vegas and the Las Vegas locals markets had down months.

Sports betting had a record month of \$614.118m in handle, though revenue fell far short of October's \$47.887m.

Visitation grew 0.9% to 3.51 million for November, due in part to additional air passengers and more available rooms.

Convention attendance fell due to some shows rotating out of Las Vegas this year.

Room rates and RevPAR had strong growth of 5%+.

MARKET/PROPERTY	REVENUE (M)	% CHANGE
Nevada	\$937.472	-3.07
Las Vegas Strip	\$517.939	-3.09
Clark County	\$805.215	-3.42
Downtown LV	\$52.084	-6.02
North LV	\$19.277	-15.26
Laughlin	\$41.157	-2.31
Boulder Strip	\$57.993	-9.33
Mesquite	\$11.867	+2.08
Balance of County	\$104.899	+1.50
Las Vegas locals market	\$182.169	-4.15
Washoe County	\$68.937	-0.51
Reno	\$50.342	-1.30
Sparks	\$12.071	+9.23
North Lake Tahoe	\$1.757	-0.22
Balance of County	\$4.767	-12.83
South Lake Tahoe	\$13.851	-19.17
Elko County	\$26.976	+6.77
Balance of County	\$8.218	+1.69
Carson Valley Area	\$8.780	-2.16
Other areas	\$13.712	+7.43

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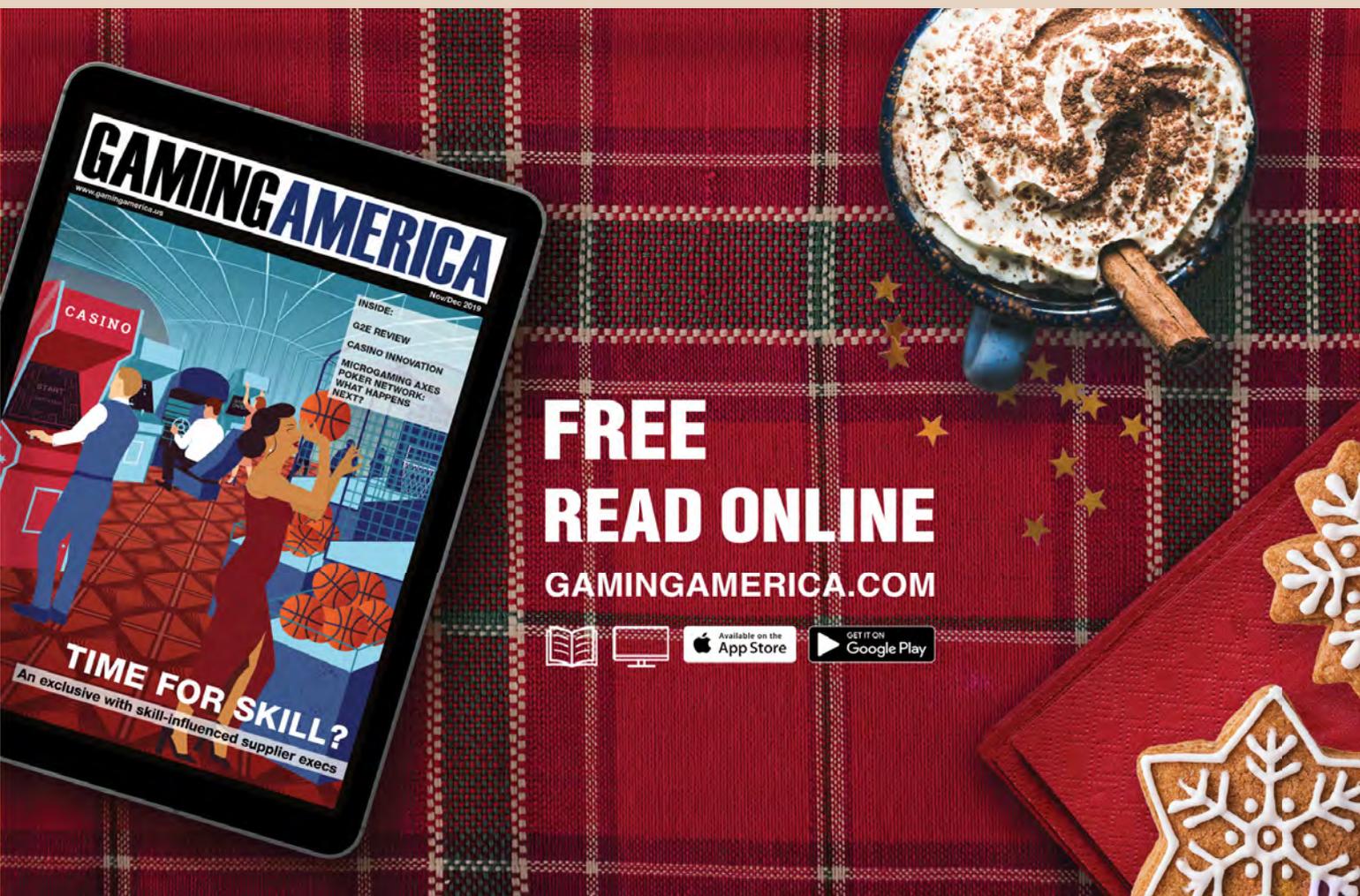
COMPONENTS OF STRIP PERFORMANCE:

MAJOR STRIP SEGMENTS:

MARKET/PROPERTY	REVENUE (M)	% CHANGE	WIN PERCENTAGE	
			2019	2018
Blackjack	\$63.605	-1.29	12.49	13.22
Baccarat	\$74.660	-22.63	13.74	12.18
Total games	\$240.215	-5.62	13.24	12.79
Slots	\$277.723	-0.79	7.73	7.86

TABLE DROP

MARKET/PROPERTY	2019	2018	% CHANGE
Blackjack	\$509.247 m.	\$487.398 m.	+4.48 percent
Baccarat	\$543.377	\$792.471	-31.43
Total games	\$1.814 b.	\$1.990 b.	-8.83



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GUEST COLUMNIST



RACHEL SWANN
COMMERCIAL DIRECTOR, 3RADICAL

Swann discusses the difficulty of balancing gamblers' desire to remain anonymous, with the need to tackle problem gambling

Problem gambling and the amount of harm the addiction causes is one of the biggest challenges that exist in the gambling industry today. While the Gambling Commission (GC) reports problem gamblers amount to 0.7% of total gamblers, the impact a gambling addiction has on a person includes financial, mental and relationship issues. Operators are therefore under constant pressure from both the media and the GC to further reduce this number.

The GC obliges operators to fully verify and know who their customers actually are. However, customer preferences with regards to their data have changed in recent years. GDPR has made it more difficult for companies to collect and hold customer data without the proper consent; but gambling operators have no choice but to collect and hold data on their players.

On top of this, one of the characteristics of a problem gambler is secrecy. Modern customers want to stay anonymous and problem gamblers have been known to want to hide their problem. This leads to even more difficulty for operators trying to responsibly operate in the space.

COLLECTING THE DATA

The answer is simple – build customer trust. Consumers in all industries now understand the value of their personal data and want to deal with brands on their own terms.

In industries like gaming, where competition is high, the customer is now in control of what information (other than what is legally required) they provide, how they engage and, more importantly, who they engage with.

Operators face high expectations from the regulator, the customer and the media and therefore need to find a balance between regulation, player care, data collection and user experience.

ENCOURAGING THE CUSTOMERS

To build customer trust to a level where gamblers feel

comfortable providing additional data on their gambling habits, operators need to offer value in return for this data.

This is where technology is needed to help operators optimise everything from the way feedback and familiarising questions are asked (ideally easy, compelling, fun), the timing (available at the exact moment the consumer wants it) and with a very clear reward at the end of the experience.

Gradually, trust will be built over time as the mechanics and rewards offered are continually optimised. Gathering an initial snapshot of a player's data might seem valuable at the time, but it is important operators don't make any assumptions as customer preferences, behaviours and data will change over time.

USING THE DATA

By gathering this critical customer data in a way that is allowed, over time, operators can build a unique view of each customer.

This will allow them to accurately track gambling behaviours in real time and (dependent on the behaviour being observed) offer players problem gambling content to consume, and lower-risk games to play, in return for additional rewards.

Additionally, by building trust and loyalty with all players, operators can offer non at-risk players personalised offerings like new games, different bonuses and exclusive content.

Using all relevant aspects of data and truly understanding the individual player builds a healthy, open and transparent relationship with both parties. Only when you know a player can you protect them from potentially destructive gambling behaviour.

It is important to note that, while gambling can be viewed negatively, it is still a form of entertainment. Collecting adequate player data will not only protect customers, but ensure operators are offering the best possible brand and user experience.

“The answer is simple – build customer trust. Consumers in all industries now understand the value of their personal data and want to deal with brands on their own terms”

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