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THIS WEEK

- **Harald Neumann resigns as Novomatic CEO**
- **Flutter and Stars Group post combined results**
- **Mr Green fined £3m by Gambling Commission**
- **Digital IOM CEO talks to *GI* about blockchain on the island**

GUEST COLUMNIST:

- **Adam Wexler, CEO, Prize Picks**

WEEK 10

FRIDAY 6 MAR 2020

ANALYSIS: WILL THE HANDLING OF ONLINE STAKE LIMITS TRULY BE “SENSIBLE AND EVIDENCE-BASED?”



William Hill has enjoyed a period of news – understandably so given the operator last week reported its full-year results for 2019.

It was also indirectly involved with a story involving Mr Green, which was fined £3m (\$3.9m) by the Gambling Commission for player safety failings that occurred before William Hill acquired the company.

But despite the negative headlines - a £3m fine and 2% fall in annual revenue - William Hill CEO Ulrik Bengtsson may have offered a significant note of encouragement to the Great British gambling industry.



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THE WEEK IN NUMBERS

£150,000

Former England international footballer Daniel Sturridge's fine after being found guilty of breaking betting rules (\$191,809)



HK\$51.9bn

Galaxy Entertainment full year revenue for 2019, a rise of 6% (US\$6.66bn)



88%



The year-on-year decrease in Macau's gross gaming revenue for the month of February

1 Jan 2021

Date for the introduction of the immigration points system which the Betting and Gaming Council warned could harm UK casinos



Speaking with *Gambling Insider* after the operator announced its results, Bengtsson discussed international diversification and the strength of William Hill's US performance. He also offered hope when it came to online stake limits potentially being imposed in the UK.

He said: "I think our industry has always had and will always have regulatory challenges. So there's nothing really new in that context. More specifically, I think we have done a huge amount of work in the last 1-2 years when it comes to protecting customers, whether it's age verification, source of funds, customer due diligence and the responsible gambling algorithms we have put in place; the consequence of that is proactively reaching out to customers that we do think need help.

"All these things are something you cannot do in a retail environment; you can only do this online. That changes the basis for this conversation. When I was at the House of Lords a couple of weeks ago, my feeling was that there is a real interest in a sensible and evidence-based review of the Gambling Act. These are the sort of considerations that come into that."

These are certainly telling words coming from one of the industry's senior leaders. The William Hill CEO sensing a voice of reason is obviously based on something concrete.

This ties in with a recent speech given by Tom Watson at ICE London. Watson, the former Deputy Leader of the Labour Party and a staunch anti-gambling critic, offered a far more balanced presentation at the gaming sector's biggest event on the calendar year. He spoke of working with the sector, rather than against it, and emphasised the progress already made by operators.

Could it be that the industry's willingness to collaborate is finally being taken into account and genuinely making a difference?

Hopefully – but it is all worth taking with at least a pinch of salt. Even if industry figures are listened to, then, those in power may well decide to impose the full recommended £2 online stake limit after they've heard all the available evidence.

As a prime example earlier this year, despite a reasonable approach to its research and investigations, the Gambling Commission in the end decided on a full ban on credit card gambling in the UK; effective from April.

Even with the maturity of the UK market taken into consideration, it was notable just how much better William Hill's FY results looked if you removed its British-facing performance.

But, with Bengtsson telling *Gambling Insider* a 50-50 split between UK and international revenue is "not unreasonable" long term, there is a valid threat here for those safeguarding gamblers in the UK.

The eventual outcome of a stake limit will be a shrinking of the regulated market without a shrinking of player demand. At the risk of repeating myself, where will bettors then turn? Why, to the illegal market, of course.

If severely punitive online stake limits are imposed, and the situation is handled as chaotically as fixed-odds betting terminals were, we'll likely witness the timeframe for that underlying reality escalating rather quickly.

That's exactly why the enthusiasm of the William Hill CEO is so encouraging. "Sensible and evidence-based" are not words we can honestly attribute to how the gambling industry has been treated within the UK in recent years.

Here's hoping that's in the process of changing.

3

The number of positive cases of coronavirus in Oregon after a casino employee tested positive this week

22%

Playtech year-on-year revenue growth for the full year 2019, at €1.5bn (\$1.64bn)

The FanDuel app will now offer up to two live streams of NHL games per day after the operator extended its deal with IMG Arena



HARALD NEUMANN RESIGNS AS NOVOMATIC CEO

Harald Neumann has resigned from his position as Novomatic CEO.

Moving into the CEO role with the supplier in 2014, Neumann now leaves citing family reasons, with the board having accepted his signature.

He will continue to have supervisory board functions and advise the company on international projects.

Ryszard Presch and Johannes Gratzl will take over the board duties previously held by Neumann.

Novomatic's Chairman of the supervisory board said: "On behalf of company founder Prof. Johann Graf and the supervisory board of Novomatic, I would like to thank Mr. Neumann for his great commitment as Chairman of the management board over the past six years.

"Mr Neumann made a significant contribution to the

successful expansion of the group. His personal wish to resign from his position at the end of the month was granted with regret."

In Novomatic's last reported financial results, for the first-half of 2019 to 30 June, revenue decreased year-on-year by 2%, down to €1.26bn (\$1.4bn). EBITDA was also down, falling by 5% to €297.1m, while operating profit fell a staggering 70% to €47.5m.

While in its most recent full-year results – reported in April 2019 – Novomatic confirmed a 10% yearly rise in revenue for its 2018 fiscal year, to €2.6bn.

However, EBITDA fell 1% to €555.6m, while Novomatic reported a loss of €154.9m overall.

Back in December, Novomatic agreed to sell its 17.19% of shares in operator Casinos Austria to Sazka Group.

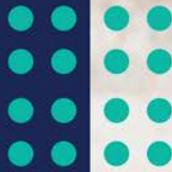


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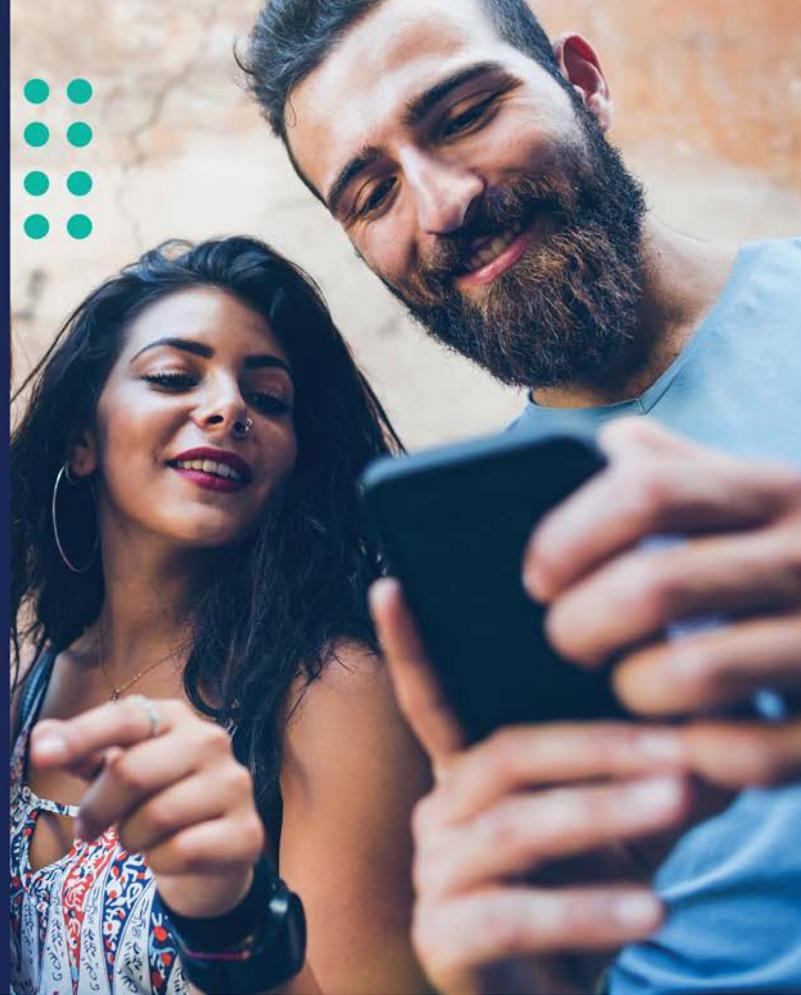




2020 iGaming Industry Report

- How to improve Player Trust
- The Top iGaming industry trends and market threats
- The Growth in bonus abuse and other game abuses

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\$4.79bn



IGT full year revenue for 2019, a fall of 1% year-on-year

THE WEEK IN QUOTES

"We believe that golf fans and sports bettors alike are in search of a deeper level of information that has not existed until the launch of GolfBet. The Action Network is the perfect partner to create this type of content platform to educate and entertain fans about responsible betting on golf while bolstering the overall gaming ecosystem."

Norb Gambuzza, SVP of Media and Gaming for the PGA Tour, discusses the launch of a new golf-centred betting content platform

FLUTTER AND STARS GROUP POST COMBINED 2019 REVENUE OF \$5.28BN

Flutter Entertainment and Stars Group, who are scheduled to merge this year, both posted full-year revenue increases for 2019.

Flutter announced a year-on-year revenue increase of 14% for 2019, up to £2.14bn (\$2.75bn), in its preliminary results ending 31 December.

Meanwhile, Stars Group, which Flutter announced last October it has reached a deal to acquire, posted total revenue of \$2.53bn for 2019, a significant yearly rise of 25%.

This would have given the merged organisation combined 2019 revenue of \$5.28bn.

However, Flutter's pre-tax reported profits dropped 38% to £136m, while underlying EBITDA decreased 15% to £385m.

Sports betting revenue increased 13% to £1.67bn, while gaming revenue rose 19% to £473m. Paddy Power Betfair online revenue increased by 6% to £1bn, with a 1% rise in gross profit to £723m.

The operator put down its rise in revenue to a strong standing in the US, where its FanDuel brand finished 2019 as the largest online sportsbook and casino.

For Stars Group, operating income showed a small increase of 2% up to £264.2m for the full year. Adjusted EBITDA increased by 18% to £921.1m.

In terms of Q4, revenue rose 5% from 2018, to \$687.9m, while operating income increased 25% to £92.4m.

Flutter CEO Peter Jackson said: "2019 was a very significant year for Flutter, with further successful expansion in the US, enhancement of responsible gambling initiatives within our business and the announcement in October of our proposed merger with Stars Group."

Stars Group CEO Rafi Ashkenazi said: "We not only began to see the full-year benefits of our transformative 2018 acquisitions, but executed on delivering a landmark media partnership in the US, with the launch of Fox Bet strengthening our position in this emerging market."

“We have clients that are trying to do some quite innovative things. We have a good number of projects at the moment all over the world, including Canada, New Zealand, Europe, LatAm and the US. For me, it’s about concentrating on developing those projects well for those clients and just gradually building out the company.”

Allan Turner, CEO of Mustard Digital, speaks with Gambling Insider about his company’s global operations

“We’re excited to launch BetMGM in a state as passionate about sports as Indiana is and look forward to seeing fans in the state take advantage of our unique in-app offers. Indiana marks an incredibly important expansion for us as we look to solidify our presence in the Midwest and continue to bring BetMGM to new states in the US.”

Adam Greenblatt, CEO of Roar Digital, speaks about the launch of BetMGM mobile sports betting in Indiana

MR GREEN FINED £3M BY THE GAMBLING COMMISSION

Mr Green, owned by William Hill, has been ordered to pay £3m (\$3.8m) to the National Strategy to Reduce Gambling Harms, as part of the Gambling Commission’s investigation into online casinos.

The company has been penalised for failing to implement effective procedures to prevent harm and money laundering, and has also had to pay costs of £10,349 to the Gambling Commission.

Mr Green has committed to conducting a compliance assessment of an additional 130 customers.

The failures came before William Hill acquired the company in 2019.

As a result of failures to implement effective procedures, the Gambling Commission details three incidents in which customers were put at risk.

In one such incident, the Gambling Commission claims Mr Green did not carry out social responsibility interactions with a customer who

won £50,000, gambled it away and then deposited thousands more pounds.

In addition, the operator is accused of accepting inadequate source of funding evidence in two instances.

William Hill previously confirmed in its financial presentation for 2019 it had set aside £3m in the likelihood of the penalty being issued.

Richard Watson, Gambling Commission Executive Director, said: “Our investigation uncovered systemic failings in respect of both Mr Green’s social responsibility and AML controls, which affected a significant number of customers across its online casinos.

“Consumers in Britain have the right to know there are checks and balances in place which will help keep them safe and ensure gambling is crime-free – and we will continue to crack down on operators who fail in this area.”

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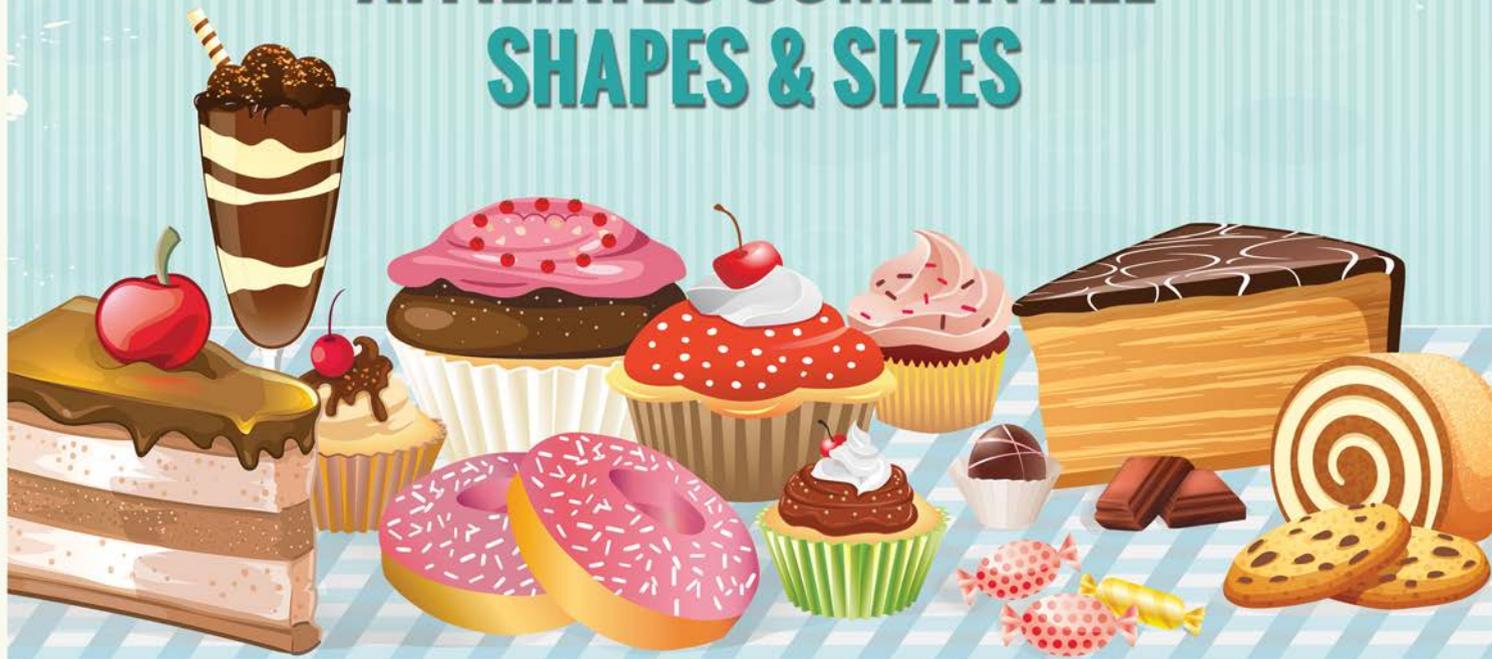
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Flutter Entertainment  +6%
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Stars Group  +7%
23.86 USD

Galaxy Entertainment  0%
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IGT  -15%
9.61 USD

Playtech  -14%
233.90 GBP

DIGITAL ISLE OF MAN CEO: BLOCKCHAIN HAS BEEN THE ISLAND'S SUCCESS STORY

Lyle Wraxall, CEO of Digital Isle of Man, believes the island has hit the ground running with blockchain technology.

Speaking with *Gambling Insider* for its Jurisdictions roundtable, Wraxall explained how the island's blockchain proposition differs from Malta's.

He said: "We put a great deal of emphasis on these new technologies. We launched our blockchain proposition last year and it's very different to Malta's.

"We don't regulate the technology in the same way we don't regulate the technology for financial services or banks.

"We take the technology into account when we look at the wider regulation, but whether you're running a payment services provider, a spreadsheet or blockchain you're held to the same standards."

Wraxall outlined how the island has prepared for businesses

looking to utilise the technology by providing the necessary framework and support system.

He said: "We will have a dedicated blockchain team to support businesses coming into the island and a blockchain technology consultant with members from KPMG and PwC.

"We also make everyone go through an application process designed to ensure there are no red flags coming to the island because we want high quality businesses here.

"In addition, we have a blockchain office space now which is fully sold out, so we are expanding that.

"Blockchain has been quite the success story for us."

The full feature will appear in the Mar/Apr edition of *Gambling Insider* magazine. [Click here to read when available.](#)

NV, STRIP RISE

The Las Vegas Strip kicked off the year strong, with revenues growing 7.49 percent in January.

The Strip benefited from strong play across the board in baccarat, blackjack and slots, all of which grew double digits.

Hold was down for all segments vs. last year, showing the strong demand for the Strip during January.

The Strip would have grown 19.26 percent if this year's hold percentage for slots and tables was the same as last year.

The strong results were telegraphed by Las Vegas casino operators on fourth quarter earnings calls, pointing to increased visitation to kick off the year.

Downtown Las Vegas was strong with 13.47 percent growth while the Las Vegas locals fell 1.91 percent on declines from North Las Vegas and the Boulder Strip.

Reno had a strong month as well with 7.46 percent growth. Sports betting for Nevada at \$20.152 million slumped vs. New Jersey's \$53.562 million.

Nevada broke out online sports betting for the first time, with online generating \$11.234 million.

MARKET/PROPERTY	REVENUE (M)	% CHANGE
Nevada	\$1.038 billion	+5.48
Las Vegas Strip	\$572.125	+7.49
Clark County	\$904.554	+5.07
Downtown LV	\$59.117	+13.47
North LV	\$26.576	-9.15
Laughlin	\$46.910	+0.88
Boulder Strip	\$71.854	-12.22
Mesquite	\$12.353	+4.64
Balance of County	\$115.620	+7.95
Las Vegas Locals Market	\$214.050	-1.91
Washoe County	\$65.503	+7.78
Reno	\$47.508	+7.46
Sparks	\$11.079	+8.72
North Lake Tahoe	\$1.608	-6.85
Balance of County	\$5.307	+14.14
South Lake Tahoe	\$20.160	+17.93
Elko County	\$25.227	+9.83
Wendover	\$17.870	+12.12
Balance of County	\$7.357	+4.63
Carson Valley Area	\$8.658	-1.85
Other areas	\$14.096	+2.94



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COMPONENTS OF STRIP PERFORMANCE:

MAJOR STRIP SEGMENTS:

MARKET/PROPERTY	REVENUE (M)	% CHANGE	WIN PERCENTAGE	
			2019	2018
Blackjack	\$72.364	+7.06	12.8	13.22
Baccarat	\$109.961	+16.25	11.91	17.34
Total games	\$285.383	+9.90	12.85	15.1
Slots	\$286.742	+5.20	8.42	8.87

TABLE DROP/HANDLE

MARKET/PROPERTY	2019	2018	CHANGE
Blackjack	\$565.344	\$511.263	+10.58
Baccarat	\$923.266	\$545.519	+69.25
Total games	\$2.221	\$1.720	+29.14
Slots	\$3.405	\$3.073	+10.82

RACE BOOK AND SPORTS POOL

NEVADA

MARKET/PROPERTY	REVENUE (M)	% CHANGE	WIN PERCENTAGE	
			2019	2018
Race Book	\$2.727	- 6.86	16.25	15.74
Football	\$5.787	-25.57	2.64	4.13
Basketball	\$12.539	+114.23	5.57	2.28
Baseball	-\$1.910	N/A	4,106.00	-7,049.68
Sports Book Total	\$20.152	+37.78	4.01	2.94

CLARK COUNTY

MARKET/PROPERTY	REVENUE (M)	% CHANGE	WIN PERCENTAGE	
			2019	2018
Race Book	\$2.429	-1.46	16.26	15.85
Sports Book Total	\$19.327	+29.75	4.18	3.24

GUEST COLUMNIST



ADAM WEXLER

CEO, PRIZE PICKS

Wexler runs down the latest developments in fantasy sports

As the 2010s wrapped up, you could argue Daily Fantasy Sports (DFS) became one of the biggest sports topics of the whole decade in the US. In the fall of 2015, after they each received hundreds of millions in venture capital funding, you couldn't turn anywhere without hearing from FanDuel and DraftKings. While their advertising approach changed in the following years as a result of regulatory scrutiny, the category remained top of mind as it was the catalyst for accelerating the timeline of the Supreme Court's decision to allow states to legalise sports betting by the end of the decade.

But, when one mentions the DFS acronym, any fantasy sports fan has an immediate impression, and it correlates with the DFS salary cap format. Salary cap and DFS became almost as synonymous as Kleenex and tissues.

While FanDuel & DraftKings had justified their skill vs chance argument, they relied on studies which showed approximately 1% of their customers won 90% of the money; excuse me while I blow my nose in a Kleenex!

Whether DFS salary cap players could never win or they saw one too many advertisements, the poker-like format popularised by FanDuel & DraftKings left fantasy sports fans wanting more.

If it hadn't been for approximately a billion dollars in venture capital funding, would the DFS salary cap format really have caught on to a comparable degree? Poker is a pretty niche game, and once the fishes realise they'll lose to the sharks the great majority of the time, they churn out.

A much more mainstream accessible format of DFS should be taking the fantasy draft format popularised by season-long leagues and turning it into a daily fantasy sport. In fact, the company Draft did precisely this, and it was purchased in 2017 for \$48m by Paddy Power Betfair (now Flutter Entertainment), the same company which purchased FanDuel a year later.

While it may not have been as flashy of an exit, it was lucrative for the team who had raised less than \$5m overall. Unfortunately, because it never had a comparable marketing budget, Draft and its broader DFS-subcategory of daily drafts have never reached their full potential, and FanDuel Group recently decided to sunset the product in favour of larger revenue-generating pursuits.

Fast forward to 2020 and arguably the hottest category in fantasy sports is DFS games against the house. Over the last five years, a number of companies have attempted different varieties, but a number have failed to date such as Dober.games and HotRoster.

As the new decade kicks off, two of the fastest-growing companies in DFS are not salary cap formats: Monkey Knife Fight and PrizePicks (full disclosure: I founded the latter). While Monkey Knife Fight facilitates multiple predictions games, PrizePicks is solely focused on one format which both companies share: over/under predictions.

Additionally, there's a host of other DFS varieties through companies like Playline, The Daily Number and Thrive Fantasy. Ask any seasoned US affiliate marketer making money from fantasy sports in 2020 and they'll likely tell you the revival of revenue from DFS may take them back to the dramatic rise of DFS circa 2014.

As the category of DFS is experiencing more innovation than ever before, isn't it time to remove the singular-format connotation and any negative stigma which may be associated with those three letters D-F-S?

DFS is set to have a real renaissance in the coming years as residents of states without legal mobile sports betting will continue looking for alternatives to enhance their sports viewing experiences. Additionally, the Fantasy Sports & Gaming Association's research has clearly stated legalisation of sports betting will not cannibalise the category by much, as more and more states move forward to mobile legal sports betting in the 2020s.

Let's just hope this new decade comes with a greater public perception of DFS than the last.

"The vast majority of casinos are much smaller, with lower net win per device. They have a small footprint and need to remain competitive, though that's not been a focus for a lot of gaming companies in the past."

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