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WEEK 11

FRIDAY 13 MAR 2020

GVC CEO EXCLUSIVE: WE'VE
BENEFITED FROM COMPETITORS
CLOSING UK SHOPS

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THIS WEEK

- **BetFred owner invests in William Hill**
- **How coronavirus is affecting the industry**
- **Supplier Intralot appoints new CEO**
- **New CFO for affiliate Catena Media**

GUEST COLUMNIST:

- **Ori Zilbershtein, Chief Business Development Officer, Hyperion Tech**

WEEK 11

FRIDAY 13 MAR 2020

GVC CEO EXCLUSIVE: WE'VE BENEFITED FROM COMPETITORS CLOSING UK SHOPS



Last week, GVC Holdings reported a 2% year-on-year rise in 2019 pro forma group net gaming revenue, to £3.66bn (\$4.73bn).

This figure was up 3% on a constant currency basis, with over 96% of group revenue coming from regulated markets or markets in the process of regulating.

Following the release of GVC's financial results, CEO Kenny Alexander spoke to *Gambling Insider* about share prices, the UK market and German gaming regulation (see overleaf).



THE WEEK IN NUMBERS



Instagram adverts from service provider Profit Accumulator banned for being irresponsible by the UK Advertising Standards Authority (ASA)

27



People - including trainers, veterinarians and drug distributors - arrested in the US related to the illegal drugging of racehorses



Concerns surrounding the coronavirus have forced SPiCE India 2020 (Strategic Platform for iGaming Conference & Exhibition) to be postponed from its original dates of 25-27 March, in Goa

SEK 24.8bn

According to the Swedish Gambling Authority, gaming companies with a Swedish license generated turnover of SEK 24.8bn (\$2.62bn) for the full year 2019



Do you think GVC's performance can translate more into your share price going up in 2020?

We think so and we hope so. We've had a good run in the second half of 2019 in terms of share price, too. But the markets at the moment are just dire. I said last week ignore the share price the day the results come out because it really depends on whatever headlines that come out around the coronavirus. Flybe's gone bust, for example, there are coronavirus-related headlines and the markets are in shock.

With GVC closing half the number of UK shops initially expected, where does that leave your focus on retail? Is there now a more optimistic outlook long term?

We closed down proportionately less shops than William Hill. I think we closed down 13% of our estate, whereas they closed down 33-35% of their estate. When we noticed they were going to start shutting shops quickly, we held back and I think we've benefited.

I'll give you my conclusion on the future of retail. It is what it is; it's going to be steadier now we've had the Triennial Review. There's possibly a small amount of growth in it - flattish. It generates over £100m (\$129.6m) in cash flow, which is meaningful for the group. Also - we talk about this, whether people listen or not - it's fairly important for our digital business in the UK, in terms of omni-channel. About 17% of our UK business with Ladbrokes Coral comes from customers who converted from retail.

Those conversion ratios are continuing, so it generates a lot of cash and is important for our digital strategy in the UK. And it's more profitable now than we expected it to be 12 months ago, as a result of our competitors shutting many more shops than we anticipated and us holding off.

In terms of the online market, we spoke with William Hill CEO Ulrik Bengtsson recently and he felt there will be "a sensible and evidence-based" review of the Gambling Act. Is this a sentiment you share?

Yeah, I do, I think he's right. I hope he's right. People are realising if you take any blunt actions or draconian action, you're going to drive players to the black market. Potentially vulnerable players are not going to be protected like they would be at GVC (Ladbrokes Coral), William Hill or wherever else. This activity certainly won't be taxed, either, and more importantly, problem gambling won't be reduced.

Analysts have spoken of German regulation moving in the right direction being a positive for GVC. What impact are you expecting the impending regulation to have for GVC-owned Bwin?

The German regulatory environment changes on almost a daily, certainly a weekly, basis. It's a continually moving piece. I think there will be sports betting licenses and there will be some restrictions on the offering - not quite as bad as some people are expecting.

There is likely to be an EBITDA hit for Bwin but you will then get clarity on it; it is the number-one brand in Germany and we will look to absorb and kick on. If you want to talk about share price, I think the share price would react very positively to taking a hit on EBITDA in Germany while having clarity and some sort of fully regulated sports betting and gaming environment.

\$304.7m

Supplier AGS saw full year revenue for 2019 rise 7% year-on-year to \$304.7m, with Q4 revenue increasing 8% to \$77.8m



Gaming & Affiliate Marketing Expo 2020 (GAME) has been postponed to Monday 27 April, taking place at the Royal Olympic Hotel in Athens

€1.4m

The fee for which Raketech acquired gaming affiliate Lead Republik (\$1.6m)



BETFRED OWNER INVESTS IN “MASSIVELY UNDERVALUED” WILLIAM HILL

Betfred owner, Done Brothers (Cash Betting) Ltd, has purchased a 3% stake in rival operator William Hill.

William Hill's latest market update showed 874,189,537 of its shares had been purchased by Fred and Peter Done's company, for an undisclosed fee.

When asked for the reasons behind the acquisition, a source close to Betfred told *Gambling Insider*: “He (Fred Done bought Hill's shares because they are massively undervalued and when it comes to the US they are the front runners.”

Last month, William Hill reported a 2% year-on-year decrease in its full-year net revenue for 2019, to £1.58bn (\$2.05bn).

The drop was mainly attributed to April's reduction of maximum stakes on fixed-odds betting terminals from £100 to £2 in the UK.

However, US net revenue increased 38% to £126.4m, while revenue from

the rest of the world rose 71% to £257.4m.

Speaking at the time, Ulrik Bengtsson, CEO of William Hill, told *Gambling Insider* that, in the long term, it was “not unreasonable” for the operator to expect a 50-50 split between UK and international revenue, especially with the “pace of US growth.”

He said: “We added \$1bn in wagering in the US last year. With the way business is developing, and if we can get our international business to work, I don't think that's an unreasonable number.”

In February, William Hill extended its US influence further by becoming the official sportsbook and wagering data provider of CBS Sports Digital.

The partnership will see the operator benefit from exclusive rights for brand promotion across all platforms, while the operator's data, odds and markets will be featured across CBS television programming.

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THE WEEK IN QUOTES

"We've seen really good growth in the UK, both in slots and now in live casino since our product has been certified there. We're just starting, but we see much more growth coming from the UK."

Pragmatic Play Vice President Lena Yasir, speaking to *Gambling Insider* on the supplier's expected growth in the UK market, following its launch of live casino for the first time in January

"We urge the Chancellor to take bold steps to help the high street with reform to business rates and casino taxation. Bookies and casinos help attract people to our town centres but once they're gone there are few if any retailers to step in and take their place."

Betting and Gaming Council CEO Michael Dugher urges the UK Chancellor of the Exchequer, Rishi Sunak, to help the retail betting sector and tackle the unregulated gambling market

HOW CORONAVIRUS IS AFFECTING THE GAMING MARKET

Fear of the coronavirus has sent the US stock market plummeting, with some gaming and hospitality companies suffering substantial blows to their valuations.

Several gaming corporations have seen double-digit stock drops, with Wynn Resorts trading at around \$82.00, its lowest mark since February 2016.

Boyd Gaming fell more than 8% and finished on less than \$21.00 at one point, for the first time since late 2018. Caesars Entertainment bottomed out at \$10.00, while MGM Resorts took a 12% hit that dropped trading to \$18.00, a low not seen since the summer of 2015. In Macau, February gaming revenues fell 88% year-on-year, forcing companies to re-evaluate expected earnings.

At the time of writing, there have been more than 120,000 reported cases of coronavirus worldwide, with more than 4,300 deaths.

However, out of adversity can arise opportunity, according to CEO of SpringOwl Asset Management Jason Ader.

Indeed, Ader believes the coronavirus outbreak could force land-based operators to move online if they haven't already.

Ader also told *Gambling Insider* it gives the industry the chance to "vigorously" focus on problem gambling.

He said: "I think the coronavirus crisis could be an opportunity for the industry. I've always had the view that gambling is not like alcohol and tobacco, which is a controlled substance, and that it's more of a leisure activity.

"But it's a highly criticised leisure activity because it can be overused by underage users or those with gambling problems.

"So I think it's a perfect opportunity for the industry to think about making sure various regulatory bodies, specifically the UK where operators have been highly criticised for their business practices, can work together to ensure during this period the abuses are under control.

"I think the land-based operators who have been resisting moving online should really think about it, because it would be very powerful to be able to market to customers online in the event they can't come to your land-based operations for travel or quarantine restrictions."

PokerStars has postponed three of its upcoming European events due to coronavirus concerns, although the American Gaming Association has said the risk in the US "remains low."

“Whether you are a seasoned sportsbook player or casual sports fan interested in this new entertainment option, we’re dedicated to an environment where all customers will enjoy themselves in this great venue within our premier casino.”

Rush Street Gaming Co-Founder and CEO Greg Carlin, before its BetRivers sportsbook took the first legal sports betting wager in Illinois, on 9 March

“This is a watershed moment for sports betting in the United States. It’s more important than ever that the gaming industry, and our new partners in the sports betting ecosystem, are proactive in equipping patrons with the tools they need to engage in these offers in a responsible manner.”

American Gaming Association CEO Bill Miller on the launch of a new public service ad campaign to promote responsible sports betting around US sports venues

INTRALOT APPOINTS CHRIS DIMITRIADIS AS NEW CEO

Intralot has announced the appointment of Christos Dimitriadis as its new CEO, effective immediately.

Former CEO Sokratis Kokkalis has stepped down from the role but will remain Executive Chairman of the Board.

Dimitriadis joined Intralot in 2007 and has 19 years of experience within the technology sector.

Kokkalis said: “Following a transition period of reorganisation during the last year, the company will evolve with emphasis on digital technology, with Mr Dimitriadis as its new Group CEO.

“Mr Dimitriadis has experience with our company for the past 12 years and possesses in-depth knowledge of the technologies in our industry. I wish him every success in his new role.”

Dimitriadis said: “I would like to thank the Founder of Intralot and Chairman Mr S Kokkalis, for the opportunity he offers me to

contribute from the position of Group CEO.

“Intralot is a company with a great history and a promising future. We export technology, products and services globally. We are proud of our subsidiaries that serve our customers and compose the multinational nature of our company.

“Intralot is a company with unique DNA that has succeeded to penetrate markets which seemed impossible to establish a presence in; a company that leapfrogged from being a spin-off to achieving and retaining a position within the top three of its industry.”

A year ago, former Intralot CEO Antonios Kerastaris left the company and was replaced in the role by Chairman, Founder and majority shareholder Kokkalis.

Until now, Kokkalis had carried out the duties of both Chairman and CEO.

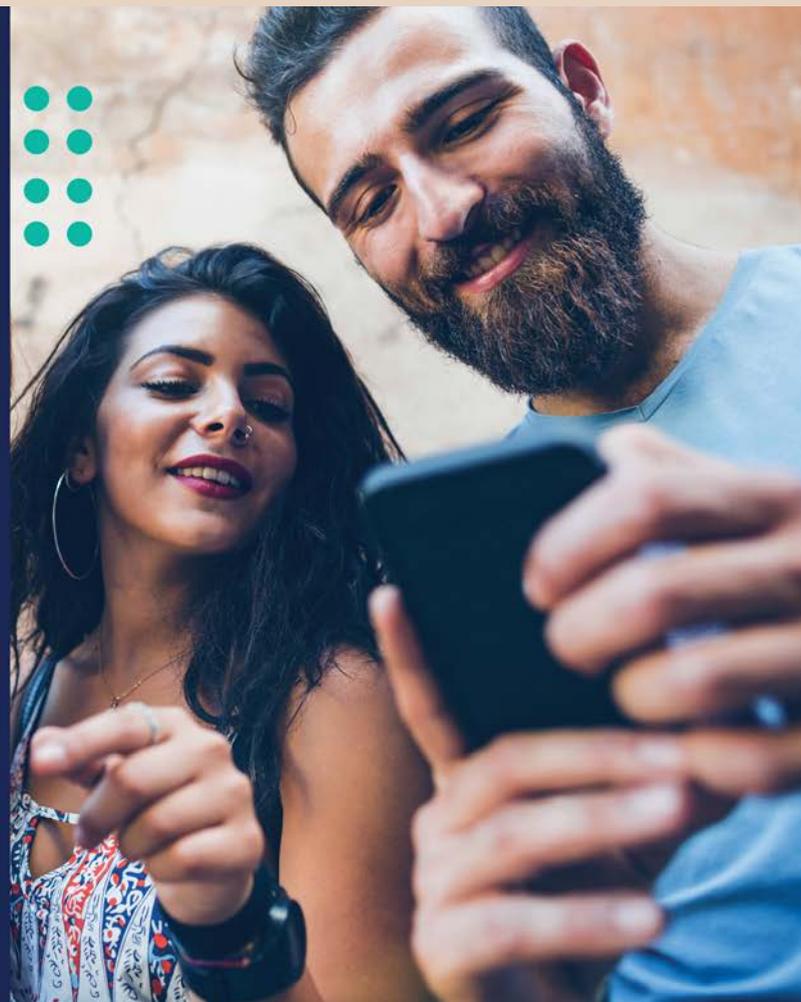
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GVC Holdings
575.80 GBP



-27%

William Hill
102.85 GBP



-23%

Catena Media
15.95 SEK



-23%

AGS
5.14 USD



-22%

Eldorado Resorts
24.77 USD



-29%

CATENA MEDIA APPOINTS NEW CFO AFTER 2019 LOSSES

Affiliate Catena Media has appointed Peter Messner as the company's new CFO, effective from 1 April.

Messner has extensive experience within the finance and gaming industry, including senior management roles at Bwin, while his most recent role was CFO at Swedish media conglomerate Modern Times Group's MTGx division.

He will be part of the company's executive management, replacing Erik Edeen, who had served as interim CFO since succeeding Pia-Lena Olofsson in January 2019.

Edeen is credited with rebuilding and transforming Catena's entire financial structure and will continue to support the affiliate in upcoming strategic projects for the foreseeable future.

Catena Media CEO Per Hellberg said: "With a well-functioning financial infrastructure in place, due to Erik's contributions, our playing field is now ready to welcome Peter as CFO."

"His wide-ranging experience in key online media and gaming industries will fortify Catena Media's operations in the years to come."

The appointment follows Catena reporting significant losses in its yearly financial results, posted last month.

They reported a full-year loss for 2019 of €10.5m (\$11.9m), with that loss increasing 134% year-on-year. Catena, which owns NetEntCasino.com among a wide range of brands, also showed a 2% decrease in annual revenue, to €102.8m.

In terms of Q4 2019, revenue was down 3% to €26.6m, with EBITDA decreasing by 2% to €11.8m.

Speaking last month about the affiliate's plans, Hellberg said: "We will continue to execute on our strategy, invest in new markets and continue our focus on cost control."

"We are prepared for continued improvements in 2020 and beyond."

INDY SOARS

Indiana gaming revenue soared 20.97 percent for February. Results were on an easy comparison to last year which included severe winter weather and flooding that closed Boyd's Belterra and Caesars Southern Indiana for four days. Casino revenue would have grown 10.90 percent with those casinos factored out. Sports betting also boosted revenue this year, adding \$11.093 million to gaming revenue. Handle was \$187.186 million.

INDIANA TOTAL | NORTHERN INDIANA – CHICAGOLAND

| MARKET/PROPERTY | REVENUE (M) | % CHANGE |
|--------------------------|-----------------|---------------|
| Ameristar (PENN) | \$24.667 | +56.39 |
| Horseshoe Hammond (CZR) | \$37.860 | +22.49 |
| Blue Chip (BYD) | \$14.589 | +22.44 |
| Majestic Star | \$10.755 | -15.18 |
| Chicagoland Total | \$87.871 | +23.28 |

CENTRAL INDIANA – INDIANAPOLIS

| MARKET/PROPERTY | REVENUE (M) | % CHANGE |
|---------------------------|-----------------|---------------|
| Hoosier Park (CZR) | \$18.385 | +23.14 |
| Indiana Grand (CZR) | \$23.936 | +20.58 |
| Indianapolis Total | \$42.320 | +21.68 |

SOUTHEAST INDIANA – CINCINNATI

| MARKET/PROPERTY | REVENUE (M) | % CHANGE |
|--------------------------------|-----------------|--------------|
| Belterra (BYD) | \$8.398 | +22.41 |
| Rising Star (FLL) | \$3.409 | +5.60 |
| Hollywood (PENN) | \$15.066 | +4.86 |
| Southeast Indiana Total | \$26.873 | +9.88 |

OHIO PROPERTIES

| MARKET/PROPERTY | REVENUE (M) | % CHANGE |
|-----------------------------|-----------------|---------------|
| JACK Cincinnati (Hard Rock) | \$19.924 | +12.17 |
| Belterra Park (BYD) | \$6.472 | +8.20 |
| Ohio Property Total | \$26.397 | +11.17 |
| * Cincinnati total | \$53.270 | +10.52 |

LOUISVILLE - SOUTHWEST INDIANA

| MARKET/PROPERTY | REVENUE (M) | % VS. JANUARY |
|--|------------------|---------------|
| Caesars Southern Indiana (CZR) | \$20.219 | +45.28 |
| Derby City Gaming (CHDN) | \$10.176 | +42.12 |
| Tropicana (ERI) | \$13.523 | +13.05 |
| French Lick | \$7.103 | -1.41 |
| ** Louisville - Southwest total | \$40.845 | +23.46 |
| Indiana Total | \$197.909 | +20.97 |

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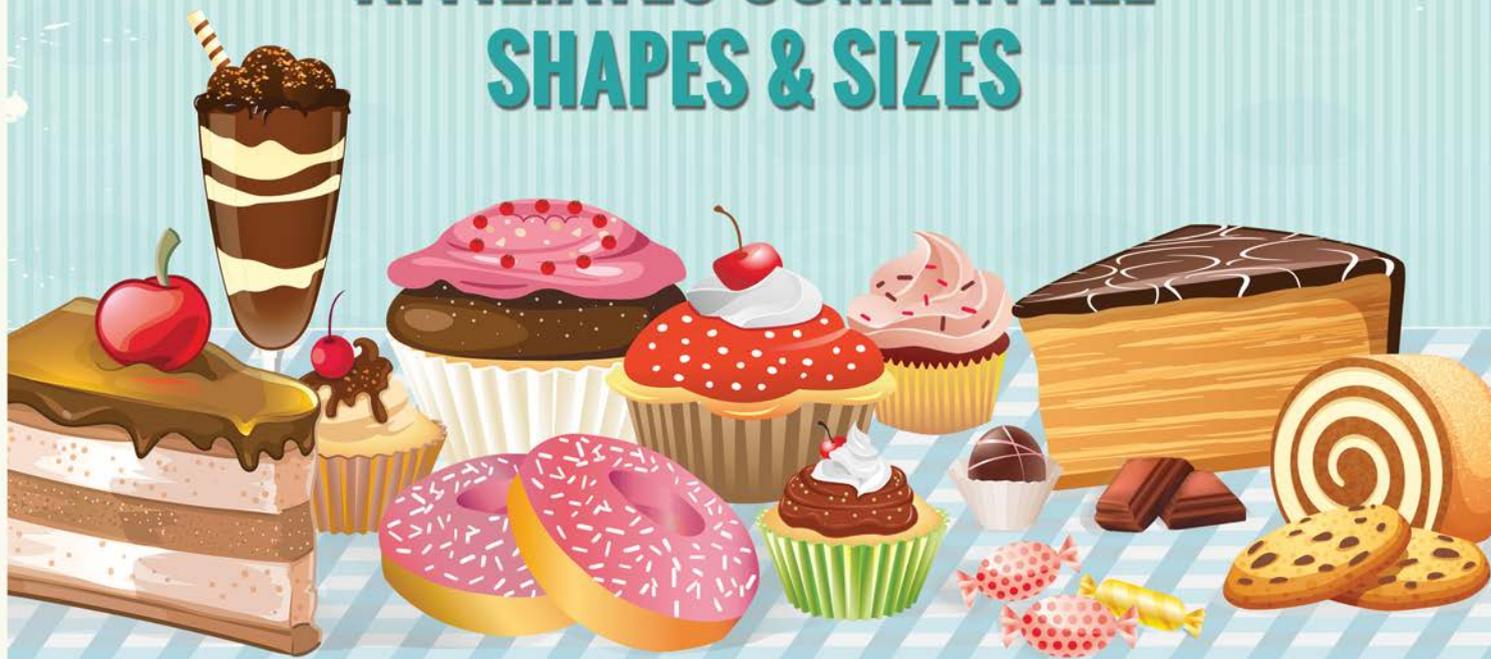
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MULTIPLE PROPERTIES

| MARKET/PROPERTY | REVENUE (M) | % CHANGE |
|----------------------|-----------------|---------------|
| Penn National (PENN) | \$39.733 | +31.83 |
| Caesars (CZR) | \$100.399 | +26.12 |
| Boyd (BYD) | \$22.987 | +22.43 |

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CASINOS

| MARKET/PROPERTY | REVENUE (M) | % CHANGE |
|--------------------------|------------------|---------------|
| Caesars Southern Indiana | \$20.069 | +44.20 |
| Belterra (BYD) | \$8.364 | +21.91 |
| Hoosier Park (CZR) | \$18.114 | +21.33 |
| Horseshoe Hammond (CZR) | \$36.782 | +19.00 |
| Ameristar (PENN) | \$18.619 | +18.05 |
| Indiana Grand (CZR) | \$23.419 | +17.98 |
| Tropicana (ERI) | \$13.427 | +12.25 |
| Rising Star (FLL) | \$3.409 | +5.60 |
| Blue Chip (BYD) | \$12.528 | +5.15 |
| Hollywood (PENN) | \$14.604 | +1.64 |
| French Lick | \$6.727 | -6.63 |
| Majestic Star II | \$4.536 | -13.57 |
| Majestic Star | \$6.219 | -16.33 |
| CASINO TOTAL | \$186.816 | +14.19 |

SPORTS BETTING

| MARKET/PROPERTY | REVENUE (M) | % VS. JANUARY |
|-----------------------------|-----------------|---------------|
| Indiana Grand (CZR) | \$0.517 | +48.14 |
| Ameristar (PENN) | \$6.048 | +0.55 |
| Caesars Southern Indiana | \$0.150 | -6.91 |
| Hollywood (PENN) | \$0.463 | -12.64 |
| Hoosier Park (CZR) | \$0.271 | -16.86 |
| Blue Chip (BYD) | \$2.060 | -26.84 |
| French Lick | \$0.376 | -37.80 |
| Belterra (BYD) | \$0.034 | -39.63 |
| Horseshoe Hammond (CZR) | \$1.078 | -40.28 |
| Tropicana (ERI) | \$0.096 | -51.58 |
| SPORTS BETTING TOTAL | \$11.093 | -13.75 |

* Cincinnati total includes JACK Cincinnati and Belterra Park in Ohio.

** Louisville - Southwest Indiana total includes Churchill Downs' Derby City Gaming in Kentucky.

GUEST COLUMNIST



ORI ZILBERSHTEIN

CHIEF BUSINESS DEVELOPMENT
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Zilbershtein looks at how Malta's skills shortage could lead online firms away from the gaming hub

The latest research from the Malta Gaming Authority (MGA) found there are 730 job vacancies on the island, illustrating the very real problem that online gaming firms are struggling to find suitable talent.

Given the country's status as a key industry hub, it's cause for concern as ultimately it means a huge part of the sector is being restricted in its attempts to bring innovation to the marketplace and achieve business growth.

Malta's warm climate and lower living costs once attracted an impressive wave of new arrivals, but the storm clouds appear to be gathering on the sunny island, where an exodus of expats means the talent pool is drying up.

WHAT'S CAUSING THIS SHORTFALL IN TALENT?

While there is clearly a myriad of factors contributing to this issue, one of the key reasons why people are no longer jumping at the opportunity to relocate to Malta is the increased costs of living on the island.

As employees and investors poured in to take advantage of the region's strong economy, prices have inevitably grown too, particularly when it comes to renting.

Consequently, Maltese companies are having to offer more lucrative pay packets to tempt individuals to relocate. Quite often, it's a cost many can't afford but still have to undertake if they are to remain competitive in this crowded marketplace and bring in the requisite talent to fill the void.

Throw in the fact EU pressure for tax reform threatens to put investors off and it becomes clear the island's bubble could be about to burst.

THE IMPACT ON THE INDUSTRY

The recruitment environment in Malta is extremely competitive right now; many of those companies based on the island are facing up to the reality they either have to pay over the odds

for an experienced individual or hire someone with limited experience in the hope they can learn quickly.

The knock-on effect means we're now seeing people with six months' experience bagging senior roles in Malta, but let's be clear – flashy titles and large salaries do not suddenly mean they become proficient.

The end result sees inexperienced individuals leading company strategies that fail to deliver results; and they simply don't have the capacity to react properly when certain challenges arise.

SOLUTIONS TO THE PROBLEM

These are complex challenges that require multi-faceted solutions and, given the scale of the problem, quick-fix answers just won't do.

So, what options are available? For those with large budgets at their disposal, adopting a multi-office strategy can be highly beneficial, allowing companies to tap into other territories where human capital of a particular skillset is much higher.

As for Malta, authorities need to adjust the grants, subsidies and tax exemptions given to businesses and start-ups to diversify the national economy.

For the island's prosperity to continue, it needs to both reduce its overreliance on online gaming and encourage those industries that supplement it.

The market is in need of expertise and investment when it comes to, for instance, software development and cybersecurity.

Long-term vocational training and a boost in educational standards are both critical.

However, this is a gradual process and if Maltese companies are in urgent need of tech talent such as software developers, they will need to look further afield to places like Ukraine, where the talent is readily available.

In the short term, businesses in Malta can outsource certain sections of their workforce to locations where highly skilled local talent is available at a more reasonable cost.

SEO and product development, for example, are two areas where most companies struggle to find suitable on-site talent and need to seek highly experienced individuals in different locations.

As the skills shortage in Malta shows no sign of improving, relocating certain departments may be the right approach when it comes to combating the problem.

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