



WEEK 12

FRIDAY 20 MAR 2020

**GAMBLING INDUSTRY
PROVIDES CORONAVIRUS
BUSINESS UPDATES**

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WEEK 12

FRIDAY 20 MAR 2020

GAMBLING INDUSTRY PROVIDES CORONAVIRUS BUSINESS UPDATES

THIS WEEK

- How coronavirus is impacting UK sports betting
- Grand National cancelled
- Newgioco CEO speaks to GI about the impact in Italy
- AffiliateCon Sofia moves to virtual format

GUEST COLUMNIST:

- Ian Hogg, Chairman, FastPaye



In light of the coronavirus pandemic, a number of gambling companies have provided updates to their 2020 plans and expectations.

Referencing mass cancellations on the sporting calendar, Flutter Entertainment projected a significant reduction in group EBITDA for the financial year.

According to Flutter, 2019 saw the company generate approximately 78% of revenue through sports betting.

To assist with the "quantification of the impact on the group" in 2020, the firm has estimated a reduction of group EBITDA by £90-110m (\$110m-135m).



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THIS WEEK IN NUMBERS



\$10m

Amount Kindred Group has been fined SEK by the Swedish Gambling Authority for offering incentives deemed to be non-compliant

19%

Year-on-year increase in total New Jersey gaming revenue for February, to \$287.3m, according to the New Jersey Division of Gaming Enforcement



This is based on a scenario where all current sporting restrictions remain in place until August – including a full suspension of Australian sports and the postponement of Euro 2020, with the latter being confirmed by UEFA this week.

With horseracing now cancelled, Flutter projects a further £30m reduction in group EBITDA, although this is also dependant on UK/Irish shops closing.

Peter Jackson, Flutter Entertainment CEO, said: “The challenge currently facing our business and the industry more widely is unprecedented in modern times.

“Our focus, first and foremost, is on protecting the welfare of our employees and our customers, and we will leave nothing to chance in this regard.”

Meanwhile, the Stars Group has declared it’s performing ahead of expectations so far this year, despite the impact of the coronavirus.

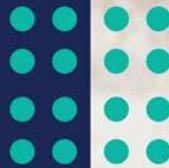
The operator said its UK segment, which includes the Sky Betting & Gaming brand, has continued strong underlying momentum in Q1 2020, while international revenue is slightly ahead year-on-year, on a constant currency basis.

While The Stars Group CEO Rafi Ashkenazi was happy with performance so far, sustained or further postponement of major sporting events will naturally affect short-term sports betting revenue. And with UK horseracing suspended this week and the postponement of other sporting events such as the English Premier League, it’s unlikely this strong momentum will continue for Sky Bet.

William Hill has said the impact of the virus is expected to reduce group EBITDA by £100m to £110m (\$122m-\$135m) for the year, citing the fact that last year 53% of its revenue was generated through sports betting.

The operator is also suspending its dividend until further notice, saying its 2019 final dividend will not be proposed at May’s AGM.

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Finnish monopoly operator Veikkaus reported gross gaming revenue of €1.69bn (\$1.87bn) for 2019, a 4% year-on-year decrease

£11.6m

Betway has been ordered to pay a fine of £11.6m (\$14.8m) to the Gambling Commission, after being found guilty of a number of VIP-related failings



William Hill CEO Ulrik Bengtsson said: "We are taking action to maintain our operational capability, to secure and enhance our liquidity and to ensure we are in a strong position to resume full operations when the sporting calendar returns to normal."

GVC Holdings has estimated EBITDA will be reduced by approximately £130-150m for the year if major sporting events are cancelled.

If UK shops are closed, EBITDA would incrementally reduce by approximately £45-50m per month.

Elsewhere, Better Collective's business and financial targets remain unaffected. The affiliate said business has been performing strongly up until mid-March, and financial targets for 2020 won't be affected. However, it did admit sports betting activity will suffer a blow as all major sporting events come to a halt; esports and casino business remain the same.

February revenue, before the pandemic escalated severely, increased 27% year-on-year to €6.9m (\$7.6m). The affiliate expects the delay of UEFA Euro 2020 will mean between €2-4m of revenue will be postponed until next year.

On the assumption all major sports events are back and completed by the end of 2020, revenue excluding that of the Euros could be reduced by a further €4-6m. But because costs will be lower than budgeted for the full year, this will offset reduced revenue.

Gaming Innovation Group (GiG) has stated casino operations and daily net gaming revenue (NGR) will be unaffected despite the outbreak.

The supplier said NGR for March is in line with January and February, for both B2B and B2C platforms. This is due to the fact sports betting has accounted for just 6% of total revenue for 2020 so far, the same as last year.

Media spend moving from sports to casino will reduce the impact on operations, it added.



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SEK 850

ATG was warned by the Swedish Gambling Authority after technical problems allowed players to receive bonuses more than once, worth a combined SEK 850 (\$78.35)



48%



Caesars Entertainment stock prices dropped 48% on Tuesday, falling to as low as \$3.24, after announcing it would keep its properties open despite the coronavirus pandemic

ANALYSIS: WHAT COULD CORONAVIRUS MEAN FOR UK SPORTS BETTING?

In a number of European nations, such as Italy, the coronavirus pandemic has led to full country lockdowns.

This has created a significant impact on Italy's gaming industry, with Snaitech and Newgioco both being forced to close betting shops and internet cafes in the country.

As the UK Government and sporting regulatory bodies introduce more emergency measures to limit the spread of the virus, it seems the UK could be following a similar trajectory. So what could this mean for the region's gaming industry?

Speaking with *Gambling Insider*, Kevin Dale, an industry veteran with over 20 years of experience in the gambling industry, acknowledges companies with an offline presence will be hit much harder than those with an online footprint. After all, "moving a mouse is far less contagious than moving your feet."

UK retail betting is already in the midst of a difficult period after last April's reduction of maximum stakes on fixed-odds betting terminals to £2 (\$2.54), having been lowered from £100.

If the UK sees the same emergency measures as Italy, retail bookmakers will take a further hit to their 2020 revenue – something that could be the final nail in the coffin for more betting shops.

However, understandably Dale believes the extent of the virus' impact on the UK market will depend on the longevity of the situation, while the cancellation of sporting events could cause the most damage.

He said: "It's anyone's guess as to how long the economic stagnation will last, but 12 months feels about right for the virus to run its course. If we're all cooped up for a third of this, then it'll be pretty bleak.

"If a large number of sports fixtures aren't played, then we have a real problem. There's always the migration from online sports betting to online casino/virtuals betting, of course, which could offset some of the pain, but the 'interest overlap' between the two is only around 30%."

Rather than a summer to remember, as was initially projected, this might end up one bookmakers would sooner forget.

£415.1m

Gamesys Group's revenue increased 35% year-on-year to £415.1m (\$501.4m) for 2019



THE WEEK IN QUOTES

"We are speaking with the Government to ensure they are fully aware of the crisis facing our members, and discussing the steps necessary to help the leisure industry and their staff through this incredibly challenging period."

Betting and Gaming Council CEO Michael Dugher urges the UK Government to provide emergency help, to save thousands of gaming industry jobs following new coronavirus advice

CORONAVIRUS: ALL GB HORSERACING SUSPENDED AS GRAND NATIONAL CANCELLED

The Randox Health Grand National has been cancelled due to the coronavirus pandemic.

In an announcement on its website, the Jockey Club said it was "no longer appropriate to stage the event" in accordance with the UK Government's new public health guidance regarding avoiding social contact and stopping non-essential travel.

The horseracing festival, originally due to be held 2-4 April, will not be rescheduled for another date, with the National Hunt season concluding at the end of April.

Sally Dudgeon, Senior Steward of the Jockey Club, said: "The Randox Health Grand National Festival was just three weeks away and it's very clear to us it will not be possible for the event to take place. Public health must come first.

"We were working on a plan to stage the Grand National behind closed doors given its importance to the racing industry and beyond, but following the new Government measures confirmed

this evening to help tackle the coronavirus outbreak, this is not a viable option."

From Wednesday 18 March, all horseracing in Great Britain is suspended because of the outbreak, despite news on Monday it would be moved behind closed doors.

The British Horse Racing Authority (BHA) said as it stands, the suspension will last until the end of April, although the decision will be kept under constant review and is subject to change.

BHA CEO Nick Rust said: "We're a sport that is proud of its connection to rural communities and to the local businesses that support our industry. We need to do what we can to support businesses inside and outside racing and the many people whose livelihoods depend on this £4bn (\$4.6bn) industry."

Horseracing has also been affected in the US, with the Churchill Downs racecourse announcing the Kentucky Derby has been rescheduled for September, from its original 2 May date.

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"We absolutely must take this step for every Nevadan's health and safety. Please take this seriously. Lives are at stake and, with each day passing, this pandemic is growing. Please stay home for Nevada."

Nevada Governor Steve Sisolak speaking at a press conference after announcing the shutdown of non-essential businesses, including casinos and retail stores, for 30 days

"It is now apparent this is a public health crisis that requires major collective action if we are to slow its progression. We plan to reopen our resorts as soon as it is safe to do so and we will continue to support our employees, guests and communities in every way we can during this period of closure."

MGM Resorts Chairman and CEO Jim Murren, after temporarily suspending the company's Las Vegas operations from 17 March until further notice

NEWGIOCO CEO: ITALIAN CORONAVIRUS SHUTDOWN CAUSING "MEASURABLE INCREASE" IN MOBILE

Speaking with *Gambling Insider*, Newgioco CEO Michele Ciavarella explains the current situation in Italy.

What have been the main effects of the Italian coronavirus shutdown on Newgioco's operations in the country?

The effect on Newgioco, like our peer group competitors in Italy, was a shutdown of land-based venues affecting the general walk-in traffic that our retailer operators and agents service. However, by extension, the effect of the shutdown measures was also the postponement and cancellation of major sports events.

Despite the land-based shutdown, our clients are still seeking leisure entertainment from home or on mobile, in which we are seeing a measurable increase.

Do you see any invariably positive effects from the shutdown?

Yes, in fact we see this as an opportunity to take steps to find further efficiencies in business operations; to find ways to accommodate flexibility in work hours for employee family-related matters; to expand our product verticals; and

test our disaster recovery models and 'smart-work' plan.

This situation also makes a strong case for our retail operators to encourage their walk-in clients to establish online accounts.

What effect do you see this having on the Italian gaming industry moving forwards?


Italy has been betting for about 2,000 years and has likely seen this type of event at some point in the past. Other than making diehards quite upset they cannot bet because there is little to bet on, I see this as having more of a social behaviour effect rather than an industry effect.


Due to the social atmosphere in Italy, it has been generally a land-based heavy market with a slight reluctance to switch to online/mobile play. It's hard to say at this time if Italian bettors will switch back to land-based after they try online. But that, I think, remains a function of trust in the Government and banks, rather than the convenience of internet access.


This interview contains certain forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.


TAKING STOCK


SHARE PRICES COVER THURSDAY 12
MAR – THURSDAY 19 MAR (12PM GMT)


Caesars Entertainment  -55%
3.52 USD

MGM Resorts  -53%
7.14 USD

Boyd Gaming  -46%
7.84 USD

Wynn Resorts  -36%
43.02 USD

Eldorado Resorts  -54%
7.10 USD

Penn National  -71%
4.52 USD

AFFILIATECON SOFIA TO BECOME VIRTUAL CONFERENCE DUE TO CORONAVIRUS IMPACT

The third edition of AffiliateCon Sofia has been postponed due to the coronavirus pandemic.

The *Gambling Insider*-powered event, scheduled for 12-13 May in Sofia, Bulgaria, will instead take place on the same dates in 2021.

However, affiliates can still watch several speakers already booked for this year's event online, as AffiliateCon will run a virtual conference on 12 May 2020. More details on this will follow.

Last Friday, Bulgaria declared a state of emergency, which will remain in effect until April.

Additionally, many companies within the gaming and affiliate sectors are introducing travel bans for their staff.

AffiliateCon Founder Julian Perry said: "After two years of building the event, this year – with many brands already committed and hundreds of affiliates already registered – was set

to truly establish AffiliateCon on the gaming calendar.

"In light of the coronavirus situation, now declared a global pandemic, we are left with no other choice but to postpone the event."

The AffiliateCon team is truly sorry for any inconvenience caused and is committed to making next year's event bigger and better than ever.

The past week has seen several other gaming events cancelled due to the outbreak. The National Indian Gaming Association (NIGA) announced the postponement of the Indian Gaming Tradeshow and Convention, which was scheduled for March 24-27 in San Diego.

SPiCE (Strategic Platform for iGaming Conference & Exhibition) India has also been postponed from its original 25-27 March schedule, while the Peru Gaming Show has been held back by two months to August.

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NJ SOARS IN FEBRUARY

New Jersey gaming revenue once again grew double digits, this time up 19.13% to \$287.305m in February.

Results were aided by sports betting and online gaming, though legacy casino gaming revenue still grew 11% when factoring out those new gaming options.

Ocean once again had strong results since changing management in July, leading growth among Atlantic City's nine casinos.

Online gaming had another strong month but failed to hit its sixth straight record monthly revenue.

Sports betting also fell from January but still managed to generate \$17.001m in revenue from \$494.814m in handle.

Moving forward, we will begin to see the impact of COVID-19 and the shutdown of land-based casinos and sporting events.

LAND-BASED CASINOS

MARKET/PROPERTY	REVENUE (M)	% CHANGE	TABLE HOLD %	
			2020	2019
Ocean	\$20.772	+50.97	17.2	18.2
Borgata (MGM)	\$57.564	+13.73	20.5	15.1
Hard Rock	\$23.995	+13.71	12.2	14.0
Harrah's (CZR)	\$26.379	+9.24	21.2	21.1
Tropicana (ERI)	\$26.122	+8.15	18.9	17.3
Caesars (CZR)	\$20.830	+7.03	13.7	17.3
Golden Nugget	\$16.120	+1.02	19.1	21.7
Resorts	\$14.503	-1.60	13.1	21.8
Bally's AC (CZR)	\$12.033	-5.66	11.4	15.4
Land-based Total	\$218.317	+11.00	N/A	N/A

INTERACTIVE

PARTNER	REVENUE (M)	% CHANGE	SHARE %	
Resorts Digital	\$12.463	+87.20	24.0	SGMS, TSG
Golden Nugget	\$19.778	+84.82	38.0	PPB, GAN, SGMS
Borgata (MGM)	\$8.140	+80.61	15.7	GVC, Pala
Hard Rock	\$2.826	+69.36	5.4	Gaming Innovation
Tropicana (ERI)	\$3.844	+11.39	7.4	Gamesys
Caesars (CZR)	\$4.509	+5.36	8.7	888, SGMS
Ocean	\$0.427	-11.65	0.8	GAN
iGaming Total	\$51.988	+63.75	N/A	N/A
Casino	\$50.191	+67.65	N/A	N/A
Poker	\$1.797	-0.76	N/A	N/A

SPORTS BETTING

MARKET/PROPERTY	REVENUE (M)	% CHANGE	PARTNER
Monmouth Park	\$1.237	+59.72	WMH/Rush St
Meadowlands	\$10.991	+35.97	FLTR, PBH
Resorts Digital	\$4.008	+7.85	TSG/DraftKings/Kambi
Hard Rock	\$0.116	-5.62	Gaming Innovation
Bally's	\$0.066	-63.62	SGMS/888
Resorts	\$0.047	-67.00	DraftKings
Ocean	\$0.102	-86.31	WMH
Borgata	\$0.714	N/A	GVC
Golden Nugget	-\$0.444	N/A	SBTech/CHDN
Harrah's	\$0.042	N/A	SGMS
Tropicana	\$0.122	N/A	WMH
Sports Betting Total	\$17.001	+33.52	N/A

CASINOS

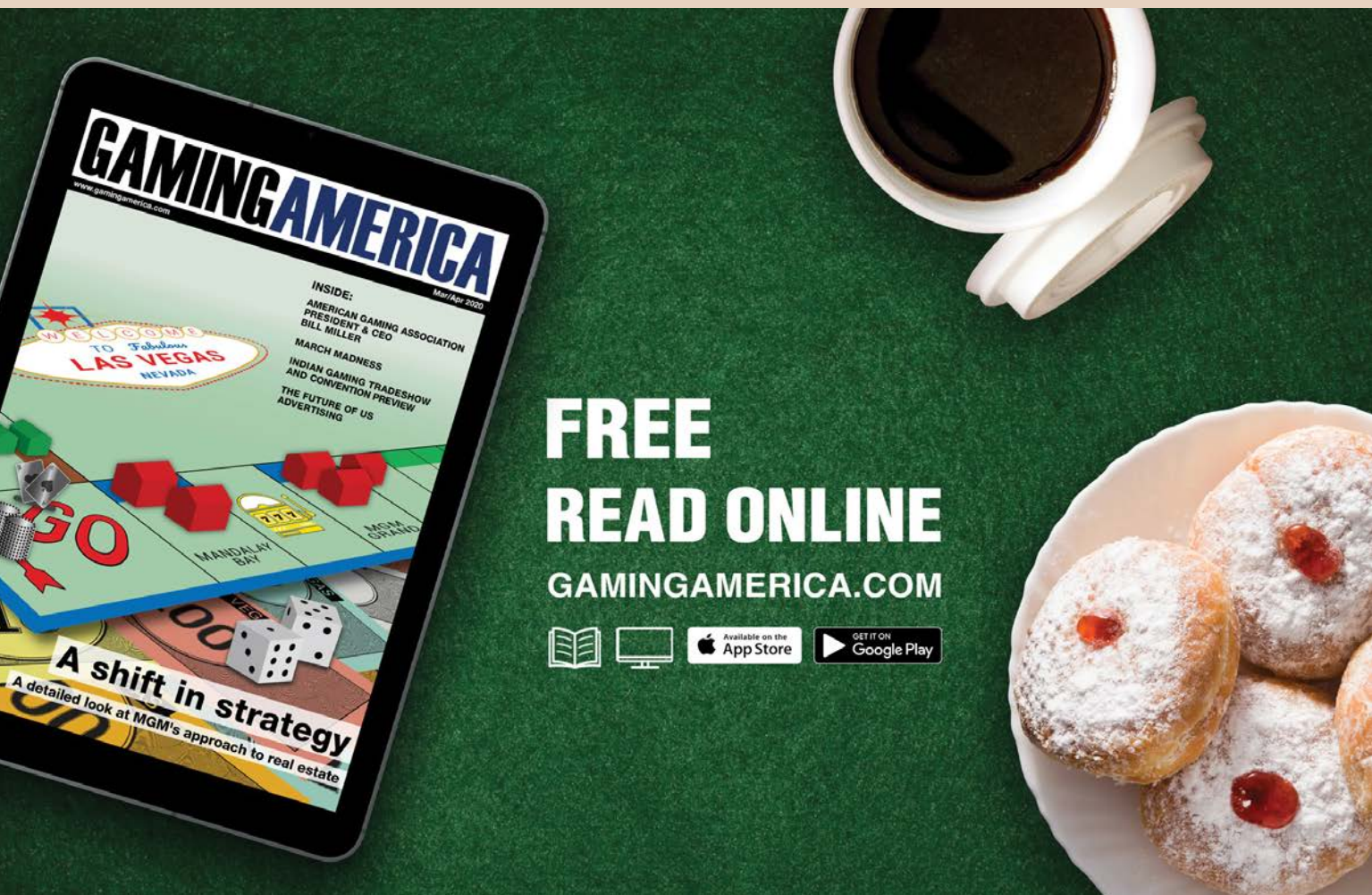
MARKET/PROPERTY	REVENUE (M)	% CHANGE
Ocean	\$21.301	+42.12
Golden Nugget	\$35.454	+33.62
Resorts	\$31.021	+22.83
Borgata (MGM)	\$66.417	+22.17
Hard Rock	\$26.937	+17.66
Harrah's (CZR)	\$26.420	+9.85
Tropicana (ERI)	\$30.089	+9.23
Caesars (CZR)	\$25.339	+6.73
Bally's AC (CZR)	\$12.099	-6.48
Casino Total	\$275.078	+18.41

RACETRACKS

MARKET/PROPERTY	REVENUE (M)	% CHANGE
Monmouth Park	\$1.237	+59.72
Meadowlands	\$10.991	+35.97
Racetrack Total	\$12.228	+38.04
NJ Gaming Total	\$287.305	+19.13

MULTIPLE PROPERTY COMPANIES

MARKET/PROPERTY	REVENUE (M)	% VS. JANUARY
Caesars	\$63.751	+5.12



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GUEST COLUMNIST



IAN HOGG

CHAIRMAN, FASTPAYE

Hogg discusses how gaming can avoid falling behind more progressive sectors when it comes to employee retention

Access to talent is often referenced as a major challenge for the betting and gaming sector. Increased recruitment competition from other business sectors, coupled with low unemployment rates, means employers are having to find new ways to attract and retain strong candidates. Yet the gambling industry's way of working is no longer appealing to the modern workforce. To stay relevant in today's testing times, innovation needs to be front and centre of hiring and HR strategies.

The increased influence of millennials in the employment landscape has given rise to new working models premised on flexibility. A recent study by Deloitte showed that over half of millennials consider flexibility as a major factor in choosing a job, while they are also more likely to hop between roles. With younger generations now accounting for most of the global workforce, employee expectations are swiftly changing.

To become more appealing to prospective hires, therefore, betting and gaming firms must cater to the need of flexibility and make the most of progressive policies and tools. Options such as hot desks, work-from-home and tailored hours around the employee's lifestyle are becoming the norm in modern society, championed by forward-thinking businesses keen to attract and retain talent. Employee perks that give staff more control over their working lives, such as wage-on-demand services, are increasingly considered to be as effective in motivating staff as financial incentives.

The monthly pay structure is a prime example of an outdated system that is out of touch with the modern employee. For many living payday to payday, not being able to access the money they've already earned for that month, can create financial stress. A recent survey by FastPaye identified that 78% of employees in the UK struggle to cover unexpected costs when they arise, falling back on costly payday loans, overdrafts and credit card alternatives. In 2018, more than 10 million short-term payday loans were taken.

"The monthly pay structure is a prime example of an outdated system that is out of touch with the modern employee"

Since these money worries will likely impact productivity and employee morale, there's a real business case in switching up the system and enabling workers to access a proportion of what they've already earned. Not only will this help cut reliance on high-interest payday loans, overdraft alternatives and credit cards, but in offering an employee benefit of real value, businesses can position themselves as a progressive employer that's open to change.

Presenting this impression is perhaps even more critical for the betting and gaming industry as it faces headwinds of intensifying media and political scrutiny, and dwindling public opinion. Given the current delicacy of brand image, corporate social responsibility (CSR) strategies should take priority in boardroom agendas and be designed with a view to improve perception not only among customers but also among prospective employees.

To attract the talent needed to advance the industry further – whether it be developers, marketing professionals or operational experts – betting and casino businesses need to be seen as providing good for the communities and workers that support them. As an employer, demonstrating you care about your workers' financial wellbeing is one way to present a positive impression.

The necessity in offering flexibility combined with strong CSR policies is only likely to increase as millennials become more prominent in senior management positions.

Ultimately, giving back employee control over their working lives will achieve long-term staff retention in the face of recruitment challenges today. It's important the industry acts now to avoid falling behind the more progressive sectors.

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