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WEEK 14

FRIDAY 03 APR 2020

**CORONAVIRUS PANDEMIC
BRINGS OUT BEST AND
WORST IN OUR INDUSTRY**

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THIS WEEK

- **SBTech recovering from cyber attack**
- **Flutter - Stars Group merger cleared by CMA**
- **GVC exec speaks to *GI* about online stake limits**
- **Gamban CEO offers warning to operators in *GI* interview**

GUEST COLUMNIST:

- **Angie White, Senior Product Marketing Manager, TransUnion**

WEEK 14

FRIDAY 03 APR 2020

CORONAVIRUS PANDEMIC BRINGS OUT BEST AND WORST IN OUR INDUSTRY



Like any industry, the gaming sector needs to pull together during the coronavirus pandemic, firstly to survive and then, hopefully, to take advantage of any available opportunities for growth.

That's why online casino and poker companies can be expected to capitalise on the higher volumes of online play during social distancing.



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THIS WEEK IN NUMBERS



80%

Year-on-year fall in Macau gross gaming revenue for March, as the coronavirus pandemic keeps visitor levels down

26,000

Workers to be furloughed by Penn National due to the effects of COVID-19



10%



The Polish Government has been urged to reduce its gambling and lottery tax from 12% to 10% during the coronavirus pandemic

\$24.9m

In unforeseen costs for Inspired Entertainment, due to the impact of COVID-19



That's also why sports betting companies can't be blamed for turning to virtual sports, esports and any other popular verticals currently available to them.

But there's always a fine line between taking advantage of an opportunity, within reason, and exploiting a global pandemic with no shame.

In the gaming industry, we've seen vivid examples of both since the spread of COVID-19 forced the world as we know it into lockdown.

For the sake of our collective sanity, let's start with the good, shall we? In the US, Scientific Games CEO Barry Cottle has taken a 100% salary cut, and William Hill US CEO Joe Asher has donated his salary to those laid off, in bids to help out their companies during this unprecedented period.

Added to that, former MGM Resorts CEO Jim Murren has taken on a COVID-19 taskforce in Nevada, working for free, while Boyd Gaming distributed food from its properties to people across eight different states.

In the UK, these good deeds continued in kind. The National Lottery has donated £300m (\$370.5m) to help fight the spread of coronavirus, while the Betting and Gaming Council (BGC) has built on its solid foundation when it comes to promoting the industry in a better light.

Indeed, members of the BGC are going to donate proceeds from this weekend's Virtual Grand National to the NHS – a stellar initiative, which is exactly the kind of positive PR the gaming sector has been missing over the last few years.

But just when you thought our industry was providing an altogether mature and helpful response to a worldwide pandemic, that old adage: there's always one...

More than one gaming company, in fact, have flaunted rules and morality in some cases to try and jump on what they must see as some kind of coronavirus marketing bandwagon.

It must be noted the majority of the negative stories do stem from the grey and black markets.

This comes as no surprise and emphasises the eternal point to politicians that a healthy regulated market, without overzealous restrictions and impediments, creates the best and safest outcome for all players.

In the Netherlands, for example, the regulator has lambasted a company for advertising a "corona-free" offering and warned any operator against such blatant marketing.

Both the Malta Gaming Authority and the Gambling Commission have also sent out warnings to avoid exactly that. Certain affiliates, however, are all too keen to ignore those warnings, along with even an event organiser that played on the pandemic in one of its posters.

Some of the most brazen examples have come from Russia, where Betcity and Parimatch have been offering markets on how governments will respond to COVID-19 – bearing in mind Parimatch is supposed to be considered a reputable, up-and-coming company.

Meanwhile, our own inbox at *Gambling Insider* has unfortunately been the recipient of Slotegrator emails titled "Virtual Sports a vaccine for your business" and "There's only one place the Coronavirus can't go."

As we can clearly see, then, while the coronavirus pandemic has brought out the best in some companies and executives, it has drawn out the very worst in others.

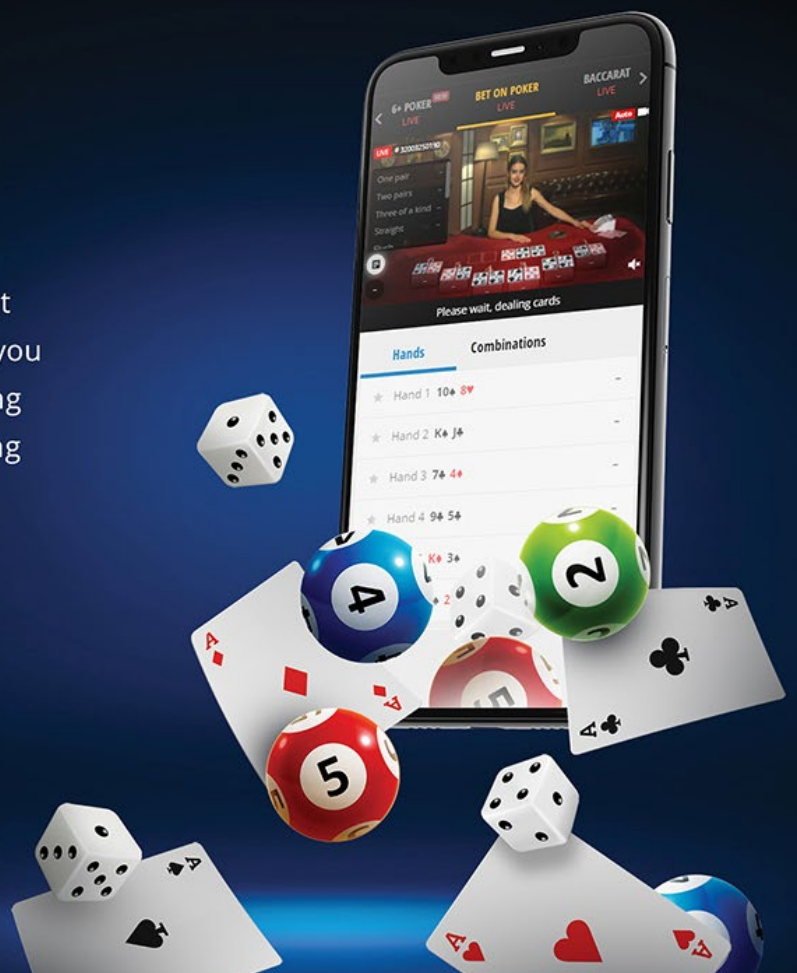


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40%

GAN's growth in Pennsylvania internet gambling for the month of February, despite a fall in sports betting numbers



1/3



Up to a third of Swedish players are searching for unlicensed casinos, research suggests

SBTECH WORKS TO GET PARTNERS BACK ONLINE FOLLOWING CYBER ATTACK

Many of SBTech's partner sites have suffered several days of downtime due to a cyber attack, reportedly instigated by a ransomware ring called Maze.

A criminal investigation is currently ongoing into the attack, which SBTech was alerted to on Friday night.

On Monday, SBTech partner BetUS reported it had been hit by a ransomware attack in which the company's data was stolen and posted online.

The operator blamed a group called Maze, which has stolen and published data from other organisations including governments, healthcare providers and law firms.

As such, SBTech took the decision to power down its data centres, and sites run with its software have been down since.

The sports betting supplier has temporarily suspended the Oregon Lottery's Scoreboard online sports betting app in response to the cyber attack.

In a statement on its website, the Oregon Lottery said: "The company brought its systems offline as a precautionary measure

in response to a cyberattack – suspending play on Scoreboard and other online sportsbooks using the platform.

"We have no reports of unauthorised disclosure or extraction of player data or account balances."

However, a source close to the matter told *Gambling Insider* on Tuesday the company was aiming to have some partner sites back up and running within 24 hours.

It has also been noted that, due to the coronavirus pandemic causing mass sporting cancellations, the impact of this downtime has been minimal for partners on the revenue side.

SBTech has been seeking consultation from third-party experts on the matter ever since it was alerted to the threat and, pending confirmation through investigation, it's believed there's no long-term damage.

The process to restore partner sites is ongoing but, in some cases, will be lengthened due to the need for regulatory approval.

\$160,000

In Delaware sports betting revenue for the month of February, a year-on-year rise of 621% – before COVID-19 forced casino closures



FLUTTER-STARS GROUP MERGER CLEARED BY CMA

The Competition and Markets Authority (CMA) has cleared the planned merger between Flutter Entertainment and Stars Group in the UK.

Flutter reached an agreement in October 2019 to acquire Stars Group, creating a merged entity, which would have generated £3.8bn (\$4.66m) in revenue for 2018 on a pro forma basis.

It was expected the deal would be scrutinised by regulators as the merged firm, worth around £11bn in market capital, would hold a significant share in several markets, including the UK and US.

The CMA's investigation focused on whether, as a result of the deal, customers could be offered less favourable odds, less generous promotions or poorer quality products in removing competition between the two operators.

The regulator found that "while the merging companies compete closely, they are among a number of close competitors and the merger will not

worsen the offering to people who choose to bet online."

Last month, Flutter and Stars Group posted combined revenue of \$5.28bn for the full-year 2019.

Flutter announced revenue of £2.14bn, a rise of 14% year-on-year, while Stars Group saw revenue of \$2.53bn, up 25%.

Speaking with *Gambling Insider* last October, Julian Buhagiar, Co-founder of RB Capital, warned investors to expect a slow transition after Flutter Entertainment and Stars Group announced plans to merge.

He said: "History for gaming mergers of this size has been quite eventful (read turbulent). Witness Bwin/Party, Ladbrokes/Coral and of course Flutter/FanDuel.

"Moreover, assuming local regulatory and legislative approvals take place without any delays, expect a slow transition, which will lead to uncertainties across the spectrum until the merger is finalised; it will take years to achieve the aforementioned synergies."

THE WEEK IN QUOTES

"For land-based casinos in particular, it's more important than ever to have a strong online offering that allows their customer base to access fun and engaging content in a responsible way, especially at a time when they're looking for relief from a difficult period."

Dylan Slaney, SVP Casino at SG Digital, speaks to *Gambling Insider* about the importance of digitalisation



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WORLDWIDE LOCATIONS

United States, Europe,
 Middle East, Asia, Latin America

“You still have the basics of cybersecurity, with the crown jewels of the company you need to protect. These crown jewels didn’t really change. But what changed is the way you operate and communicate, and the trust you need now to do the same things you did earlier.”

Cynance CEO Stav Pischits discusses with Gambling Insider new cybersecurity challenges presented by the coronavirus pandemic

“At the end of the day, businesses talk about EBITDA a lot but the smart investors always look at cash flow. You have to be able to understand how revenue relates to cash.”

Sportech CFO Tom Hearne tells Gambling Insider EBITDA is becoming “less and less important” as a performance indicator for public gaming firms

GVC EXEC: “ONE SIZE FITS ALL ONLINE STAKE LIMIT” NOT THE ANSWER

Introducing a “one size fits all limit” on online gambling during the coronavirus outbreak will drive players to the unregulated market, according to a GVC executive.

Last week, the UK cross-party Gambling Related Harm All Party Parliamentary Group (APPG) called for operators to introduce a daily gambling limit of £50 (\$62) during the self-isolation period.

GVC Director of Regulatory Affairs and Trustee for GVC Foundation US, Martin Lycka, told *Gambling Insider* that while operators will take responsibility more than ever during the coronavirus crisis (which has seen a spike in online gambling) introducing an online cap will be counterproductive.

He said: “There’s been a lot of suggestions about introducing one size fits all limits but I believe any statutory limit would be quite counterproductive; because there are people out there who can spend much less than others.

“If the customer demand can’t be satisfied, there will be a certain number of punters who might be driven away from the regulated market, by being incentivised to gamble with operators that do not have to have any such restrictions.

“That’s why I think we are all better off if customers are motivated to stay within the regulated market.

“Instead, I’m in favour of having affordability background checks that would allow both the customer and the operator to make sure the customer doesn’t spend more on gambling beyond their means.”

“Of course, we at GVC remain absolutely committed to upholding the highest applicable industry standards in terms of consumer protection, in particular responsible gambling.

“Now is not the time to ditch any of that; if anything, we see it as our responsibility to make sure people can continue enjoying gambling and betting as a form of entertainment, in a responsible fashion.”

TAKING STOCK

SHARE PRICES COVER THURSDAY 26
MAR TO THURSDAY 2 APR (12PM GMT)

Flutter Entertainment ↓ -6%
6,954 GBP

Stars Group ↓ -2%
18.81 USD

GVC Holdings ↓ -9%
462.50 GBP

Scientific Games ↓ -22%
8.31 USD

Penn National ↓ -22%
10.41 USD

GAMBAN CEO: "DON'T PREACH AND BRAG ABOUT HOW SOCIALLY RESPONSIBLE YOU ARE"

Responsible gambling and player protection are more critical than ever during the period of self-isolation caused by the coronavirus pandemic, according to the CEO of Gamban.

Founder and CEO of the gambling blocking software company, Jack Symons, believes that, with the rise of online gambling, operators must make sure they are responsible, especially with the way they handle bonuses.

He told *Gambling Insider*: "I have no doubt more people will engage in online gambling as a result of isolation. Responsible gambling and player protection are more critical than ever at times like this. There is a big risk in problem gambling rising because of isolation. It's a very engaging and exciting thing to do and you can do it at home on any of your devices.

"I hope the way bonus tactics are applied won't be entirely around the fact people are isolating and therefore deserve a bonus, because that would be both opportunistic and parasitic.

Symons added that, despite measures coming into place such as the Betting and Gaming Council's 10-point plan, the industry should quietly get on with providing a safe platform, rather than announce it is using the outbreak as an opportunity to improve.

He added: "I think anyone with a modicum of scepticism can see through a lot of the times where gambling operators have donned the white coat and come out with a healthy way to play.

"Personally, I've always preferred for the industry to get on and do what it does, provide entertainment. Where I have a problem is where these organisations come together and tirelessly tell us all the good things they are doing to help people.

"You provide an entertainment product, continue doing that. Differentiate yourself from your competitors but don't preach and brag about how socially responsible you are."



In the absence of sports,

Esports Betting is Taking the Big Leap

25,000+
Monthly Events

10,000+
LIVE Events



STRIP, NV RISE

Las Vegas Strip gaming revenues eked out a 0.75% increase for February.

Baccarat on the Strip declined 11.44% as some larger players from overseas couldn't travel to Las Vegas due to travel restrictions implemented in China to curb the spread of COVID-19.

However, that was offset by strong blackjack and slot revenue this year.

Outside of Las Vegas, Washoe and Elko counties boomed with double-digit growth.

Results in North Lake Tahoe, which grew 48.1%, should bode well for Full House Resorts, which operates Grand Lodge casino in Incline Village.

Nevada sports betting had a strong month of 6.28% growth. Online sports betting generated \$9.93m.

MARKET/PROPERTY	REVENUE (M)	% CHANGE
Las Vegas Locals Market	\$186.122	-0.35
Washoe County	\$77.063	+27.09
Reno	\$57.776	+30.17
Sparks	\$11.760	+15.38
North Lake Tahoe	\$2.092	+48.13
BALANCE OF COUNTY	\$5.436	+17.00

MARKET/PROPERTY	REVENUE (M)	% CHANGE
Nevada	\$1.04bn	+3.05
Las Vegas Strip	\$596.19	+0.7
Clark County	\$897.53	+0.5
Downtown LV	\$55.626	-4.10
North LV	\$21.953	-9.20
Laughlin	\$47.427	+5.84
Boulder Strip	\$65.011	-0.49
Mesquite	\$12.161	+6.73
BALANCE OF COUNTY	\$99.157	+1.93

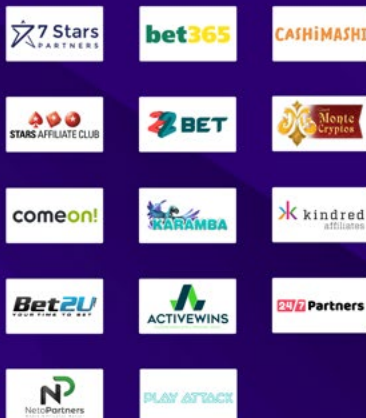
MARKET/PROPERTY	REVENUE (M)	% CHANGE
South Lake Tahoe	\$17.685	+21.36
Elko County	\$27.479	+16.18
Wendover	\$19.203	+14.39
BALANCE OF COUNTY	\$8.277	+20.58
Carson Valley Area	\$8.81	+17.11
Other areas	14.056	+10.95

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COMPONENTS OF STRIP PERFORMANCE: MAJOR STRIP SEGMENTS:

MARKET/PROPERTY	REVENUE (M)	% CHANGE	WIN PERCENTAGE	
			2020	2019
Blackjack	\$81.232	+9.12	15.18	13.89
Baccarat	\$115.007	-11.44	11.39	12.73
Total Games	\$308.815	-4.52	13.09	14.41
Slots	\$287.383	+7.12	8.14	8.17

TABLE DROP	2020	2019	PERCENT CHANGE
Blackjack	\$535.125	\$535.96	-0.16
Baccarat	\$1.010bn	\$1.02bn	-1.02
Total Games	\$2.360	\$2.245	+5.10
Slots	\$3.531	\$3.284	+7.51

RACE BOOK & SPORTS POOL	REVENUE (M)	% CHANGE	WIN PERCENTAGE	
			2020	2019
Race Book	\$3.155	-2.6	16.61	16.19
Football	\$15.15	+37.5	9.97	7.71
Basketball	\$13.138	-33.88	5.04	7.71
Baseball	-\$0.218	N/A	-16.77	-22.44
Sports Book Total	\$38.064	+6.28	7.74	7.81
CLARK COUNTY				
Race Book	\$2.854	-3.32	16.65	16.18
Sports Book Total	\$30.182	-6.89	6.70	7.64

GUEST COLUMNIST



ANGIE WHITE
SENIOR PRODUCT MARKETING
MANAGER, TRANSUNION

White looks at online gaming's call to action during the coronavirus outbreak

It would be an understatement to say COVID-19 is having a major impact on every aspect of our lives. Online gaming is definitely not insulated from this, as COVID-19 is creating a whole new set of challenges for the industry. In particular, the global response to the pandemic has led to a call to action in online gaming.

On the one hand, with many land-based casinos and other entertainment options shut down, more people are turning to online gambling. On the other hand, sports betting operators are dealing with a major blow as, in an unprecedented move, most major sports leagues worldwide have postponed their seasons. When looking at the transactions we protect for over 100 online operators and platform providers worldwide, we saw this shift reflected in our data. We have seen a marked decrease in transactions for online sports betting starting since 11 March, when the World Health Organization declared the COVID-19 outbreak a global pandemic and sports leagues began cancelling games.

In either instance, fraudsters are not missing an opportunity to exploit the situation with COVID-19 phishing scams. In a recent survey of 1,068 Americans 18 and older, TransUnion found 22% of respondents had been targeted by digital fraud related to COVID-19. Fraudsters are using phishing emails, phone calls and legitimate-looking websites that promise information or prevention tips about the virus to steal login credentials and personal data. Unfortunately, consumers have a bad habit of reusing login credentials across multiple sites, which means such compromises could lead to an uptick in account takeover attacks against lucrative online gaming accounts.

There are a number of measures operators can take to mitigate such attacks. If you're seeing many accounts go

dormant during this time, it would be advisable to add some type of identity verification check before allowing said accounts to resume playing. Another way to combat account takeover is to add verification checks during account management. If an attempt is made to change an email address for an account, a common tactic used when an account is taken over is to divert any notifications; so you should conduct an email verification check to ensure the new email address is valid.

For operators that are seeing a surge in transactions and don't want to add friction to the player journey, you can add device-based authentication at login. This allows you to shut down account takeover even if a fraudster has the right login credentials, by checking to see if a device has been paired to the account or if there are risk signals associated with the device. If it's a known device with no risk signals, you can seamlessly authenticate your trusted player. If it's an unknown device or shows risk signals such as geolocation mismatch or attempting to evade detection, you can step it up for greater assurance.

We are also seeing fraudsters exploit the surge in online transactions as consumers are turning to digital channels. Operators experiencing a rise in online transactions will need to consider how to stop bad actors that might find it easier to hide among the uptick in volume. We saw mobile fraud increase 63% in 2019 across all industries. This trend is likely to accelerate this year as fraudsters try to mimic consumer behavior to avoid detection, using either mobile devices or emulators on their desktops so transactions appear to be coming from a legitimate mobile device. It'll be important for operators to consider what fraud prevention controls are in place across all access channels.

As COVID-19 reshapes our lives for the foreseeable future, it's imperative we adapt to the new reality. The online gaming industry and fraud are prime examples of this. Although not life or death, much like we must social distance ourselves for our health, gambling operators and fraud teams must implement new approaches and controls for the health of the industry. While social distancing has created such a call to action for online gaming, operators can still protect their players and their business.

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