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# WEEK 16

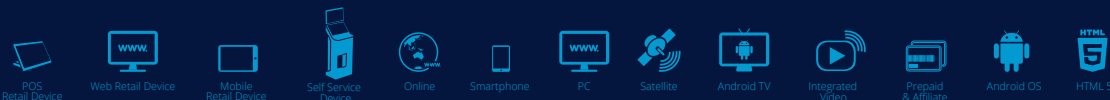
FRIDAY 17 APR 2020

## ANALYSIS: IS CRITICISM OF THE GAMBLING COMMISSION FAIR?



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## THIS WEEK

- **AGA criticises PPP package**
  - **Gaming stocks bounce back in resurgent week**
    - **Consultant makes daunting UK predictions**
- **Credit card ban enforced**

## VIRTUALS SPECIAL

**Begins on p9, featuring:**

- **Newgioco**
- **Sportradar**
- **BetConstruct**
  - **Digitain**
  - **EveryMatrix**
- **DS Virtual Gaming**

# WEEK 16

## FRIDAY 17 APR 2020

## ANALYSIS: IS CRITICISM OF THE GAMBLING COMMISSION FAIR?



Lambasting what he feels is an overbearing approach from the Gambling Commission, consultant Steve Donoughue recently declared it a “very bad time to be in the British gambling industry.”

During a presentation for the Bet 2020 online conference, he said: “Every week, we have one company after another being fined millions of pounds for not doing enough on problem gambling or anti-money laundering.”

But while Donoughue is a respected analyst and *Gambling Insider* contributor, he will freely admit he sits on the extreme end of the anti-regulation scale.

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# THIS WEEK IN NUMBERS

## €27.5-28m

Kambi's expected Q1 2020 revenue (\$29-30m)

## 35%

The Greek Government's proposed gross gaming revenue tax rate for operators



## 5



Year extension signed by Scientific Games for its deal with the Connecticut Lottery

## \$30m

The amount SBTech must set aside to compensate for cyber attack damages to its partners



## 116



The number of beds in Bloomberry Resorts Corp's temporary COVID-19 hospital; converted from its Manila sports venue

In this sense, members of the Gambling Commission could be forgiven for feeling frustrated at accusations from both ends of the spectrum.

Indeed, it's been on more than one occasion deemed "not fit for purpose" by the Gambling Related Harm All Party Parliamentary Group – but for completely different reasons.

This group of MPs is driven by a political inclination at the opposite end of the scale, broadcasting a fully anti-gambling and pro-regulation message.

In response to both sides of the debate, however, the Gambling Commission can hold its head high when defending its most recent actions.

As Donoughue admits, many of the fines handed out in 2020 have been "warranted". But he is perhaps still dismissing things too lightly.

Let's look at just two of the biggest examples (rest assured there are plenty of others).

Earlier this month, Caesars Entertainment UK was fined £13m by the Commission – a record penalty – but with very good reason.

Considering the current industry-wide focus on compliance, Caesars – a large operator, not a lowly start-up or anyone new to the game – allowed a player to deposit £3.5m and lose £1.6m over a three-month period, without adequate source of funds checks.

This came not 10 years ago; this was not even five years ago. The scrutiny on compliance within the gaming sector had well and truly begun during the period in question (Jan 2016 – Dec 2018), in which Caesars also allowed a self-excluded customer to lose £240,000 in 13 months.

In March this year, Betway was fined £11.6m for a series of social responsibility and AML failings, holding the dubious record before Caesars.

Again, Betway is far from a small player in the industry. And yet it allowed a VIP customer to deposit £8m and lose £4m over four years without any source of funds checks. Another player lost £187,000 within two days.

As much as £5.8m flowed through the business, which was "found or reasonably suspected to be the proceeds of crime".

These are all unacceptable actions and the regulator simply came down firmly and fairly on the organisations in question. In these rather brazen instances, the Commission cannot in any way be declared too lenient by politicians, nor too draconian by critics.

During ICE London, meanwhile, the Commission was fully willing to engage with the sector, delivering talks and making itself both seen and heard. There are other gambling regulators the world across who aren't anywhere near as forthcoming.

More emphatic, though, is how the Gambling Commission is viewed by other sectors and outsiders to gaming. Last July, Kompli-Global CEO Jane Jee told *Gambling Insider* the Commission is highly respected when it comes to dealing with KYC and AML issues.

Earlier that same month, AgeChecked CEO Alastair Graham spoke to *Gambling Insider* of the Commission's influence, with the body even being looked up to in the field of age verification.

**GI Verdict:** On balance, while the Commission appears to be following a path of growing restriction, blanket criticism of it is unjustified. Certainly, if online stake limits are introduced further down the line that cause huge damage to the regulated UK market, the Gambling Commission may stand accused of abusing its power and bowing to political pressure. Currently, however, the string of sanctions being handed out to gambling companies is the result of incompetence and neglect on operators' parts alone. They've deserved their punishments.



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## £193m

The estimated loss in revenue for British horseracing if the sport is cancelled until 1 July (\$242.1m)



## 4

BetConstruct will return as the Lead Partner for the Global Gaming Awards Las Vegas for the fourth time this year



## \$100m

Scientific Games' predicted cut to its quarterly costs for Q2 after instigating a number of cost-saving measures



### AGA CEO: REVISED PPP GUIDELINES "FALL WOEFULLY SHORT"

The Small Business Administration (SBA) has revised its Payment Protection Program (PPP) regulatory guidelines to assist US gaming firms during the coronavirus pandemic.

However, American Gaming Association (AGA) CEO Bill Miller believes the revisions "fall woefully short of fully addressing the situation."

Following the release of the initial PPP guidelines, which set out unfavourable terms for gaming firms, *Gambling Insider* speculated as to whether the US Government would follow in the UK Government's footsteps and reverse its decision.

The SBA has since amended its guidelines but Miller is adamant "some progress" is not nearly enough.

The AGA CEO said in a statement: "The Small Business Administration today released revised regulatory guidelines that will allow additional small businesses that derive revenue from legal gaming to participate in the Paycheck Protection Program.

"While these changes represent some progress, they fall woefully

short of fully addressing antiquated, discriminatory policies that have, to date, restricted small gaming companies from accessing critical loan support made available through the CARES Act.

"As a result of this half-measure, small gaming businesses that have closed to comply with government orders will continue to be denied access to this critical lifeline to support their employees."

**GI Verdict:** Despite the "positive public sentiment" Miller has spoken of in the past, it's a surprise to see gaming firms fare worse in the US than those in the UK when it comes to receiving aid during the COVID-19 pandemic.

The fact the AGA, along with lobbying from Nevada congressmen, has not persuaded the Government to U-turn fully on its stance demonstrates how impressive the Betting & Gaming Council's call to action was to prompt a turnaround in the UK.

## THE WEEK IN QUOTES

*“The credit card ban is overrated because we don’t think this is going to be a big thing as there is a sense in the industry cards used are not predominantly credit cards; a lot of them are debit cards. The credit card ban will make a difference but customers will divert to alternative solutions such as bank transfers and so on.”*

**Kamran Hedjri, Board Member of PXP Financial, speaks to Gambling Insider about the Gambling Commission’s ban on credit card gambling in the UK**

*“Proposed credit card restrictions were suggested and the Gambling Commission reached out to the UK industry before this was put in place, but there was no single voice at that point so the ban was implemented. One piece of advice I have for emerging markets is make sure the market has a single voice such as with the UK. You can really see the benefits.”*

**Speaking at Bet 2020, Nicc Lewis, Founder and CEO of Expozive Marketing/Marcom Agency Consulting, has some advice for emerging markets**

*“The COVID-19 crisis has negatively affected sports betting operators. Almost all of them have been putting their efforts into transitioning their business to casino, esports and other verticals.”*

**Harel Falk, VP Sales at Solitics, discusses the impact of the coronavirus with Gambling Insider**

## GAMBLING STOCK PRICES SHOW RESURGENCE IN POSITIVE WEEK

Share prices have seen much volatility in the gaming sector since the coronavirus pandemic took hold. Despite a general downward trend, *Gambling Insider* reported online gaming companies saw recovery in late March.

And last week was another fruitful one for stock prices within the sector, with several firms seeing double-digit growth.

Perhaps the most notable example was William Hill, which saw its share value rise 64% in seven days – sitting at £1.05 (\$1.31) on 9 April.

This is still only just over half of its pre-COVID-19 share price but shows a positive response, perhaps due to the growth of online casino and the stabilising cost-cutting measures implemented by the company.

GVC Holdings was also up 49% in seven days, to £6.68, while Flutter Entertainment recorded a slightly more modest improvement of 9% to £75.94.

Elsewhere, Kambi’s share price reached the highest it has been in a month, at 114.90 SEK (\$11.53) having grown 25% in seven days. The supplier is another company to have updated investors with cost-cutting measures last week.

**GI Verdict:** Online gaming may well be getting over the worst of the COVID-19 impact. However, share prices still continue to be very volatile, with William Hill’s shares dropping from a peak of £1.12 on the morning of 14 April to £0.99 by the close of play.

Despite this, the doom and gloom of 18 March seems to have evaporated. William Hill’s shares dropped to £0.37 on that fateful day, with Flutter down to £55.12 and GVC reaching a six-month low of £3.24 a day later.

While we’re still some way off seeing pre-COVID-19 prices, the long road to recovery does appear to be taking shape; long may it continue.

## CONSULTANT: “80% CHANCE GAMBLING IS THE NEW TOBACCO”

Speaking during the Bet 2020 online conference, gambling consultant Steve Donoughue made several daunting regulatory forecasts about the UK gambling industry.

With the Gambling Commission putting an end to credit card usage for betting purposes earlier this year (which came into effect this week), Donoughue believes affordability will be the next focus for increased regulation.

He said: “We’ll have affordability; that will be the killer. I think we’ll have increased regulation and basically I think we will end up with a limit to what you can lose per month.

“It’ll be purely arbitrary – it will be, say, £500 (\$623). If you want to lose more than £500 a month, you will have to go and prove to your gambling operator all about your sanity, your wealth, your source of wealth, probably the size of your feet and what you like to eat on a Tuesday.”

Donoughue believes increased regulation stems in part from a new national health approach towards problem gambling.

He argues regulators need to avoid placing gambling in the same category as alcohol, tobacco and illegal drugs.

He added: “The idea is the more gambling is restricted, the more you will reduce problem gambling.

“There is absolutely no evidence that this is the case. Problem gamblers will then go to the black market, where there is no obligation to protect them.

“There is an 80% chance gambling turns into the new tobacco – with no advertising, real restraints on marketing.


“And there is a 20% chance of nationalising gambling – one gambling organisation run by the state and that’s it.”


**GI Verdict:** It’s no secret the UK gambling industry is expecting further regulatory shifts in 2020. Negative media attention seems to be at an all-time-high and the Government has vowed to review the outdated 2005 Gambling Act.


While there is certainly the potential for affordability and marketing restrictions, the Gambling Commission also revealed this year it’s considering limiting the maximum stake allowed for online casino games, which could prove very costly indeed for online operators.


## TAKING STOCK


SHARE PRICES COVER THURSDAY 9 APR  
TO THURSDAY 16 APR (9AM BST)

Scientific Games  5%  
9.64 USD

IGT  2%  
6.39 USD

AGS  22%  
3.27 USD

Newgioco  47%  
2.71 USD

Evolution Gaming  9%  
460.10 SEK

## UK CREDIT CARD BAN COINCIDES WITH SPIKE IN ONLINE ACTIVITY

The Gambling Commission has said the introduction of the credit card ban will add another vital layer of protection for consumers, particularly during the current coronavirus lockdown period.

The ban on players in the UK using credit cards to gamble came into force this past Tuesday on 14 April, after being announced in January by the Gambling Commission and the Department for Culture, Media and Sport (DCMS).

Statistics from the Gambling Commission show out of the 10.5 million people who gamble online in the UK, 800,000 use credit cards, with 22% of them problem gamblers.

It applies to all online and offline gambling, except for non-remote lotteries, such as in-store National Lottery tickets and scratchcards. The ban also covers credit card gambling through e-wallets.

The regulator stated some players might be changing their gambling habits during the coronavirus outbreak due to being forced to stay at home, with the ban coming at "a vital time" as online gaming sees a spike in activity.

Gambling Commission CEO Neil

McArthur said: "It is a ban which ultimately reduces the risk of harm to consumers from gambling with money they do not have.

"The ban also comes at a vital time as we are seeing an increase in the use of some online products, such as online slots and virtual sports, and our online search analysis shows an increase in UK consumer interest in gambling products since the lockdown began."

**GI Verdict:** The credit card gambling ban has been a long time coming. Statistics suggest it will have a greater effect on older generations, with PXP Financial research finding 59% of Generation X – those born between 1965 and 1980 – use credit cards to gamble.

Several payment provider executives who spoke at ICE London suggested the ban was 'overrated' as they see other payment methods being more popular, or the fact prepaid card options will allow players to bypass the ban.

Either way, it's a move that makes sense and now seems the perfect time to implement the credit card gambling ban, given the current situation.



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## NJ FALLS

New Jersey gaming revenue fell 44.39% in March as casinos closed 16 March.

Casino gaming's average daily revenue fell 25.8% in 16 days this year vs. 31 days last year.

However, online gaming had a record month with \$64.822m,

accounting for 40% of total revenue. Online poker soared more than 90%.

Golden Nugget and Resorts generated more revenue online than land-based. Sports betting generated \$13.181m despite the suspension of sporting events halfway through the month.

## STATE TOTAL

CASINOS	REVENUE (M)	% CHANGE
Golden Nugget	\$30.443	-5.04
Resorts	\$24.246	-21.17
Caesars (CZR)	\$16.132	-42.35
Ocean	\$9.478	-46.25
Hard Rock	\$13.666	-48.04
Tropicana (ERI)	\$15.463	-50.61
Borgata (MGM)	\$32.008	-51.31
Harrah's (CZR)	\$9.721	-63.40
Bally's AC (CZR)	\$5.558	-63.86
Casino Total	\$156.714	-42.75

RACETRACKS	REVENUE (M)	% CHANGE
Meadowlands	\$5.910	-66.41
Monmouth Park	\$0.849	-68.03
Racetrack Total	\$6.759	-66.62
NJ Gaming Total	\$163.473	-44.39

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### LAND-BASED CASINOS

MARKET/PROPERTY	REVENUE (M)	% CHANGE	WIN %	
			2019	2018
Ocean	\$8.252	-45.63	14.8	13.5
Hard Rock	\$10.214	-58.46	15.1	9.8
Caesars (CZR)	\$9.473	-58.54	25.7	17.9
Golden Nugget	\$7.009	-60.26	21.9	17.1
Resorts	\$5.693	-61.85	15.8	15.7
Tropicana (ERI)	\$10.250	-62.47	24.3	15.1
Bally's AC (CZR)	\$5.520	-62.72	19.3	14.6
Harrah's (CZR)	\$9.760	-63.07	14.5	18.18
Borgata (MGM)	\$19.299	-67.53	16.7	17.7
Land-based Total	\$85.470	-61.70	N/A	N/A

### MULTIPLE PROPERTY COMPANIES:

RACETRACKS	REVENUE (M)	% CHANGE
Caesars	\$31.412	-54.62

### SPORTS BETTING

MARKET/PROPERTY	REVENUE	% CHANGE	PARTNER
Hard Rock	\$134,460	+63.47	GIG
Resorts Digital	\$5.137M	-29.42	TSG/DraftKings/ Kambi
Golden Nugget	\$132,861	-30.76	SBTech/CHDN
Borgata	\$487,028	-42.92	GVC
Meadowlands	\$5.910M	-66.41	FLTR, PBH
Monmouth Park	\$849,040	-68.03	WMH/Rush St
Ocean	\$567,184	-71.03	WMH
Tropicana	\$59,261	-78.25	WMH
Bally's	\$37,759	-93.39	SGMS/888
Harrah's	-\$39,058	-130.60	SGMS
Resorts	-\$93,821	-210.24	DraftKings
Betting Total	\$13.181M	-58.38	N/A

### INTERACTIVE

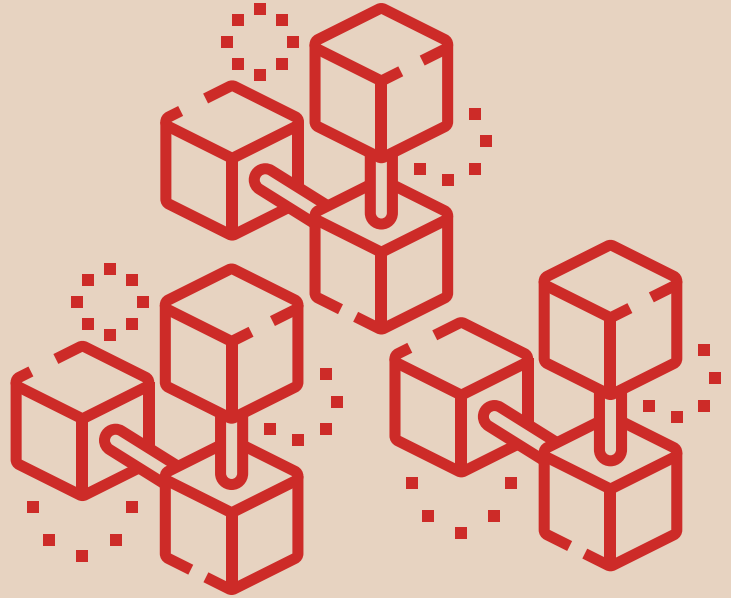
MARKET/PROPERTY	REVENUE (M)	% CHANGE	SHARE %	PARTNER
Borgata (MGM)	\$12.222	+124.57	18.9	GVC, Pala
Hard Rock	\$3.317	+103.40	5.1	GIG
Golden Nugget	\$23.301	+63.77	35.9	PPB, GAN, SGMS
Resorts Digital	\$13.510	+59.46	20.8	SGMS, TSG
Tropicana (ERI)	\$5.154	+38.26	8.0	Gamesys
Ocean	\$0.659	+32.43	1.0	GAN
Caesars (CZR)	\$6.658	+29.65	10.3	888, SGMS
Online gaming Total	\$64.822	+65.64	N/A	N/A
Poker	\$3.629	+90.63	N/A	N/A
Casino	\$61.193	+64.36	N/A	N/A



# VIRTUALS SPECIAL

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- With major sport at a standstill during the coronavirus pandemic, *Gambling Insider* explores the state of play within the virtuals market
- Industry experts from Newgioco, Sportradar, BetConstruct, Digitain, EveryMatrix and DS Gaming give their views
- How can virtual sports help the sports betting industry right now?



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## **MIKE CIAVARELLA**

*CEO, Newgioco*

### **How beneficial can virtual sports be for sports betting companies during the coronavirus pandemic?**

Virtual sports that are capable of running 24/7 certainly do offer an alternative to both a lack of live sports and routine online casino games such as slots and table games. Providing an engaging, alternative suite of leisure entertainment products for our customers is meaningful on many levels, particularly in light of the unprecedented conditions with self-isolation, quarantine and uncertainty surrounding the health crisis.

### **What is the revenue potential for virtual sports in the long run?**

We find that virtual sports revenues are strongly correlated to the availability of live sports, meaning customers generally engage with virtual events while live events are ongoing. However, the longer live sports competitions are

prorogated, we expect a surging effect on virtual sports in the long run.

### **What can virtual sports offer to stand out versus products like online casino, online poker and esports?**

The variety of pre-recorded virtual sports gives our customers the feeling of playing and betting on real events. Virtual sports, for instance, provide a sports backdrop that stimulates and engages our customers, with events and athletes they may emotionally be connected to.

### **Can virtual sports now attract a new type of audience – and are you confident it can retain it?**

Absolutely yes, customers who engage with virtual games generally remain loyal. Unlike live sportsbook products that follow the sports schedule, virtual products are available to our customers 24/7 and even year round during



off-season. Above all, they have a captivating frequency with each new game or event occurring every four to five minutes and offer a wide variety of both sports and other games such as keno, roulette and colors lotto, occurring in parallel to give customers a wide variety of entertainment.

## FRANK WENZIG

General Manager of Gaming, Sportradar

**With live sports betting all but postponed/cancelled, how can virtual sports help the sports betting industry right now?**



Virtual sports has largely been viewed by some within the industry as a niche, supplementary addition to a sportsbook to fill the void between real-life sports; even though it has the real potential to attract new audiences and futureproof operations. It's no wonder, then, that with the cancellation and postponement of most live sport across the world, it has become a hot topic of conversation and is seen as one of the key products to help the sports industry right now.

This is a potentially defining moment for virtual sports that could affect perception of the category and its popularity forever. While virtual sports can be used as a viable short-term solution within the current climate, they truly have the potential to continue to deliver in the long term.

### FILLING THE VOID

While live sports follow a rigid broadcast schedule, virtual sports offer sports betting entertainment any time, 24/7. When the final whistle blows on a real game, virtual sports is there. When the season ends, virtual sports is there. But now, when most live sports are gone, gaps in the schedule become more apparent for sportsbooks. So, when the industry can't provide the entertainment that live

sports betting offers, virtual sports is a viable alternative to deliver incremental revenues at little set-up cost.

Even when live sports resume, virtual sports can enhance engagement with punters and deliver profits. Fans these days are seeking new ways to engage with their favourite sports, something which is being fuelled by advancements in technology, enhanced data and gamification. All of this positions virtual sports as a credible alternative to real sports betting in the long term.

### ATTRACT NEW CUSTOMERS

Virtual sports has huge growth potential, not just now but in the future too. Sportsbook operators should use this time to re-evaluate where virtual sports sit within their operations and how it can be integrated among their offering. By making it a key element of your sportsbook and promotional efforts right now, you present virtual sports as an exciting enhancement to real sports betting or an all-new product for customers. In this respect you're also showing your customers you have their current needs in mind, which is important in any business, especially during this time.

Again, this isn't a short-term initiative. At the moment, virtual sports provide

a very real need – to effectively serve the appetite of your current audience by giving them similar entertainment and engagement to that of live sports betting. However, by attracting new audiences to virtual sports, you're driving engagement and potentially increased website traffic too, which will surely benefit operations in the long run. Current and prospective audiences, once given a taste of virtual sports, may not necessarily stop engaging with virtual sports just because live sports return, either.

### FUTUREPROOF YOUR SPORTSBOOK

Ongoing advancements in technology have seen virtual sports change considerably across the last decade. Advanced virtual sports solutions are at the point now where they're blurring the line between real and virtual. Eventually there will be hardly any difference. The main target audience for virtual sports are sports punters. By offering them the most life-like product both in terms of look and feel and betting experience, you're likely to achieve better results in terms of attracting and retaining customers.

This is why, as part of our gaming solutions, all our virtual sports have been created using motion capture technology using real-life athletes, while the event spaces, grass, shirts and other textures have been created using advanced technology to achieve the most realistic movements. Our solutions are based on real-life competitions and comprehensive sports data to ensure they reflect the way real-life games play out.

Offering betting markets that are the same as those in real-life sports is also key to ensuring a realistic and more results-driven virtual sports offering. Virtual sports that apply this level of quality can go a long way in futureproofing a sportsbook, by showcasing its ability to provide truly innovative solutions for audiences today and tomorrow.

## ARMENUHI KHACHATRYAN

Virtual Sports PO, BetConstruct

### How beneficial can virtual sports be for sports betting companies during the coronavirus pandemic?

We all know the COVID-19 pandemic has upended all areas of life. Not surprisingly, it has also upended the sporting calendar, with professional leagues everywhere suspending their activities to limit the spread of the virus. The absence of "real" sport presents an opportunity for virtual technologies to grow. The borderless opportunities of virtual sports allow sports betting companies to thrive during the coronavirus outbreak.

Virtual sports have grown massively in recent years and are present continuously to engage punters and bring in revenue. Currently BetConstruct offers nine virtual sport types, with over 3,000 matches per day and about 120,000 matches per month, giving our sport lovers the opportunity to bet 24/7 and forget about these challenging times. So, generally speaking, virtual sports fills this gap for gamblers amid the absence of sporting events.

### What is the revenue potential for virtual sports in the long run?

For about a decade, virtual sports has been used as a way to fill an empty time between live sporting events. Now, they account for 30% to 35% of market revenues, making them one of the most important components in the betting industry. And the most intriguing part about this is it's accelerating steadily in many regions. The omnipresence of virtual sports makes it even more popular in the market – one can enjoy life-like virtual games anytime and anywhere in the world.

Yes, nowadays virtual sports are undoubtedly becoming more popular due to people's fast pace of life. The biggest advantage of virtual sports betting is you don't have to wait long before another event begins.

One has a chance to watch virtual sports games every three minutes. Empirically, operators who have added virtual sports to an existing sportsbook have experienced a 15-20% increase in revenue. Therefore, it's safe to predict it will eventually become a vital part of the whole sports betting experience.

### What can virtual sports offer to stand out versus products like online casino, online poker and esports?

I guess virtual sports is a mix of sports betting, esports, slots and lottery games. Nevertheless, all mentioned products are very limited in their game choice, while virtual sports allow us to create games beyond our imagination.

We build products that bring revenue to our partners and find appeal among their players. That's the core ideology for us when developing products for players. It's always right to keep a good balance, and it's vital to have realism in your games, since that way you can provide an experience closest to reality for the players. However, having gameplay features would add more attraction to games, making them more engaging from the players' side. The right combination of those two fundamentals justifies itself and provides what users actually want from virtual sports.

### Can virtual sports now attract a new type of audience – and are you confident it can retain it?

Yes, definitely. Virtual sports have proven to attract sports bettors and gamers alike. They've also proved to be a perfect product to acquire players from sports into gaming and vice versa. The products can appeal to the players who seek complex sports bets, or to the players who enjoy a simpler betting



experience. First, you need to understand customer demand.

Flexibility is key in all our products. Another important factor for us is to create something totally new to the market; this helps our operators become more competitive in their regions. Hence, we came up with the idea of Virtual Football Penalty Kicks. We all know about the popularity of football in virtual sports and this game was created to become a new surprise for all football fans.

Another innovation from BetConstruct is the totally new virtual sport type, Marble Racing. This is a captivating competition where individual marbles are pushed across race tracks. In general we have a lot of innovations for 2020 which will attract a new type of audience for virtuals.

## SIMON WESTBURY

*Head of the Sales Department at Digitain believes virtuals could be the perfect replacement for sports betting*

The ongoing coronavirus outbreak is likely to be one of the most testing periods our industry has ever faced. Never before have we had to go through a global pandemic, economic recession, social distancing and the shutting down of retail networks on a global scale.

For the betting and gaming sector, the retail space has taken the full force of the impact, leaving an industry vertical-sized hole which lacks not only live sporting events, but also an entire customer base. We're already seeing a large migration towards online gaming and alternative betting channels as customers aren't able to access their usual betting venues; and it's a good time to take stock on what is likely to fill the gap.

With the widespread closures of retail betting, omni-channel brands have been presented with an entirely new potential stream for customer traffic – with the chance to acquire retail players who have never previously taken to the online proposition. We're already seeing operators scramble to line up their virtuals content and with good reason.

Virtuals offer quick-fire betting on life-like sporting events that not only replicate the live action we're sorely missing, but also the instantly gratifying betting activity that resonates so well with sports betting audiences. Of course, throw in the closure of casinos and the on-demand virtuals format available via the online casino lobby and you have quite the proposition on your hands.

In my view, the opportunity for online virtuals to become a selling point this summer as a primary source of product and betting activity has never been more key, and will likely prove to be a significant revenue stream for as long as the crisis continues. This is particularly the case where sports betting has been considered the dominant source of entertainment, especially when it comes to Africa, LatAm and Southern Europe.



We've already seen the viability of virtuals previously as a replacement for live sports. Indeed, the vertical was borne out of disruption caused by the UK's foot and mouth crisis. Two decades on, and we saw virtuals fill the gap again in 2019 with the outbreak of equine flu.

We're likely to see a repeat again this summer when it comes to the choice of virtuals content, with horses and greyhound racing likely to continue being cancelled or run behind closed doors in the coming months.

However, with a legion of fans also searching for an alternative to the postponement and cancellation of major sporting events, the chance to introduce customers to an entirely new world of simulated live action is there for the taking. Boasting a wealth of sports including football, baseball, racket sports and everything in between, virtuals are now able to offer state-of-the-art graphics like never before, as well as faultless in-game mathematics to reassure even the most cynical of punters – and

there's now nothing quite like it to fill the gap.

While long considered a cross-selling tool to complement sports betting, I expect to see that perception change, and fast. The opportunity to introduce a new breed of sporting action to a captive audience has never been stronger and with a blockbuster package of fast-paced betting, combined with high-quality animations and real-life atmosphere, I expect it to outperform even the most optimistic expectations.

However, having the right content is only going to be part of the challenge. The biggest trick will be introducing it to the right players; players need to know what else is out there and, when it comes to direct marketing, they need an invitation to play.

Any conscious marketer looking to attract a new demographic of player to a betting market, that is for many still untried, will need effective targeting and an accelerated drive to help gain better acceptance and awareness. But that's a conversation for another day.

## STIAN HORNSLETTEN

Group Chief Commercial Officer for EveryMatrix explains why virtual sports are of interest in the current crisis



While at this point, with real sports missing from the picture and virtual sports receiving a front-row seat (and plenty of attention within the industry), we should first consider how exactly they enhance the player experience.

Virtual sports is not a betting vertical meant to replace real sports betting, but rather a complementary offering that, if used smartly, brings in more revenue.

While bettors must wait the typical match times – for example, around two hours for a football game – a virtual match offers immediate satisfaction.

There is solid potential for virtual sports in the long run, which comes mostly through eliminating tedious waiting times, access to a wider variety of sports and an inherent attractiveness for younger generations.

### A UNIQUE VALUE PROPOSITION

Positioned at the intersection of sports and casino, virtual sports present both players and operators with a unique proposition. It's a gaming category with its own complex environment. Through stunning yet realistically designed graphics, as well as an enormous amount of sports choices, I think virtual sports reach the peak of instant gratification.

Similar to casino games, they provide easy access to around-the-clock content, which translates into an unlimited number of bets that can be placed by punters. By eliminating waiting times associated with real-life sports, operators have the rare opportunity to bring more excitement to fans left with limited betting options during the COVID-19 crisis.

Since virtual sports aren't subject to adverse natural phenomena, travel disruptions or pandemic restrictions, they are a great alternative to sports events and a safe refuge for both operators and players. As well as keeping bettors engaged in the absence of real-life content, they

provide the familiar environment of real sports, through remarkable graphics that create an immersive experience.

Currently, we are experiencing a 52% increase in the number of virtual sports players. And in the last five weeks, figures have shown triple-digit increases in rounds and placed bets, with week-over-week records. The numbers clearly show there is huge potential in this niche and, for operators looking for alternatives, virtuals are the place to start.

### COMPLEMENTARY REVENUE STREAM

At the start of the pandemic, there was a 75-80% drop in sports revenues within one week, affecting operators of all sizes, with no exceptions. Keeping retention rates high is essential for securing financial survival during these difficult times. Diversification of the current offering is key here, and by including virtual sports in the mix, operators can build from scratch a new revenue stream, which can help in the next six months.

### ATTRACTING NEW AUDIENCES

One clear target audience is millennials, who are passionate consumers of novel experiences in the online gaming realm. Exciting virtual sports content can draw them in, as well as an outstanding player experience enhanced through mobile-friendly technology, superb graphics and richer digital interactions. These factors are all key to retaining a large share of them.

For many sports punters who try out virtual sports betting during this time, we can say the same thing: a seamless experience will grow the appetite for such content for many of them.

Realistically speaking, we can't expect virtual sports to replace everything else available on the market. But if operators move fast to implement high-quality and flexible integrations, with access to vast content, there is a significant chance to see virtual sports growing into a steady revenue source.

If companies play their cards right, what is now a patching solution will become a solid advantage when the current situation is over.

## ARAKSI SARGSYAN

Head of Business Development, DS Virtual Gaming

### With live sports betting all but postponed or cancelled, how can virtual sports help the sports betting industry right now?

Betting on virtual games arose at the beginning of last decade, presumably in reaction to the outbreak of foot and mouth disease, which significantly impacted horseracing in the UK. They then were used to fill the void between live events, to have a betting offer ready every minute.

Originally, greyhound and horseracing were the most popular products. Nowadays, virtual sports have become extremely popular and count as an independent unit in the betting segment. Several companies have specialised in this sector and offer a wide range of sport disciplines.

In recent years, our industry has registered an increase in the share of online activity, as is the case in the entire betting/gambling sector.

For example, in Italy the share of virtual betting doubled from 1.9% in 2017 to 3.8% in 2019.

Due to the coronavirus outbreak, all major club leagues have indefinitely suspended their activities. Even UEFA has postponed Euro 2020 to next year, and so was the case with Copa América and the Olympic Games Tokyo 2020.

This means no significant sports betting events are available in the upcoming weeks or even months. The effects of the pandemic might endure until the end of this year with devastating consequences for the sports betting industry.

This vacuum in sports betting represents an opportunity for the providers of alternative betting options, especially virtual games.

First, with hardly any live sports betting available, operators are forced to seek new betting opportunities. Major players on the market whose main product is sportsbook are actively promoting virtual sports and alternative products.

Currently, betting on esports and virtual games are eligible. The advantage of virtuals over esports is that the bettors are already familiar with virtuals, whereas esports is a completely new discipline where many punters do not have any reference or experience.

Moreover, and most importantly, virtuals are regulated in many jurisdictions while esports are not considered in any noteworthy legal framework. This gap in the law might constitute a risk for licensed operators.

Second, experts assume the openings of betting shops might follow this summer in countries that are less affected by the crisis or who manage to contain the epidemic earlier. It is, however, not foreseeable when the big leagues will resume work. Therefore, there will be a loop between openings of betting shops and availability of live sports betting.

Here we recommend operators of betting shops start with the expansion of virtual activities, especially during this period where they have time and sufficient unused resources. New technologies, and the possibility of getting the virtual system as a web version with almost no acquisition costs, present a risk-free option for operators.

Some companies believe virtual games might not be accepted by the



typical bettor, among other factors due to the usage of RNG and animations.

Here, we should emphasise that some suppliers are specialists in the development of virtual games with real video footage. Another aspect is that Generation Z, the successors of millennials, are less reluctant to embrace animated images, as they are already used to video games and computer graphics.

To sum up, we believe now is the perfect time to introduce players to the world of virtual betting and enable them to acquaint themselves with those qualitatively high and reliable products.

The world is getting more and more connected and who knows when we might face similar circumstances again. The motto is to establish a solid virtual infrastructure now and enjoy the benefits in the long term.

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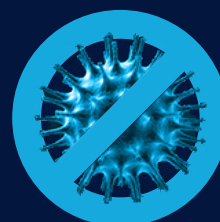
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