



# WEEK 19

FRIDAY 08 MAY 2020

**VIRTUAL INDY 500: A BLOW TO ESPORTS WAGERING LEGITIMACY?**

12<sup>th</sup> MAY

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## THIS WEEK

- **Gaming firms report Q1 financials**
- **BGC CEO addresses industry critics**
- **Macau's huge revenue fall**
- **Building excitement for AffiliateCon Virtually Live**

### GUEST INTERVIEW:

- **Frank Wenzig, gaming MD, Sportradar**
- **Werner Becher, US betting MD, Sportradar**

# WEEK 19

## FRIDAY 08 MAY 2020

## VIRTUAL INDY 500: A BLOW TO ESPORTS WAGERING LEGITIMACY?



During the coronavirus pandemic, esports has provided operators with a vital substitute for sports betting.

Speaking on a digital panel last week, Interwetten CEO Dominik Beier echoed the opinions of his fellow speakers when he said the vertical was one of the “biggest surprises and winners in this crisis”.

# AffiliateCon

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# THIS WEEK IN NUMBERS

## 5 May



When Flutter Entertainment's acquisition of The Stars Group was completed, as the new-look company commenced trading on London Stock Exchange's Main Market for listed securities

## 8

Percentage Intralot saw revenue fall year-on-year for 2019 (to \$785.7m), while adjusted EBITDA dropped 21% to €68.7m and operating cash flow decreased 31% to €61.3m



## 35%

Sazka Group reported a healthy year-on-year profit rise for 2019, while gross gaming revenue increased 6% to €1.91bn (\$2.09bn)

## 20%

GVC Holdings' board of directors and executive committee have agreed to take a voluntary reduction in basic salary and fees for three months, to help with the coronavirus impact



Due to the lack of major sport, Beier said the vertical now represented almost half of Interwetten's gross gaming revenue; a pattern confirmed by Minja Bolesnikov, CEO of MaxBet, who said he'd seen similar numbers.

However, Saturday's virtual Indy 500 race saw an example of why the esports vertical has struggled to gain traction in the past – and how the actions of one individual can hinder progress moving forwards.

The online event, which was televised live on NBCSN in the US, saw professional racing drivers take on esports stars in the last of a six-race virtual racing series; it was a major betting event for operators in the absence of any real-life racing or sport.

Despite this interest, the event came to an unsatisfying conclusion when professional IndyCar racer Simon Pagenaud caused a collision with the race leader on the last lap.

The crash took both drivers out of contention for the victory, but also called the event's legitimacy into question when Pagenaud's personal stream of the race suggested the act was deliberate – with Pagenaud declaring his intention to "take out" young Formula One driver Lando Norris after losing the lead in the closing laps.

Whether these were the actions of an IndyCar driver unhappy with a Formula One racer taking victory, or an example of a professional athlete not taking esports seriously, Pagenaud's behaviour was inexcusable and hugely impactful for the reputation of the vertical from a betting perspective.

For those who placed bets on Norris to win the race, having their chosen driver deliberately taken out in the final lap was a completely unwanted outcome to the wager.

This will undoubtedly see customer care centres inundated with bet settlement complaints and even see many potential bettors turning their back on the esports vertical moving forward.

Will Buxton, Formula One journalist, summarised the general sentiment towards Saturday's events when he tweeted: "Sure it's 'only a game' but it's not just a few mates messing about in private. It was an officially sanctioned event and those moves short-changed a loyal fan base.

"Also quite aside from the shocking lack of sportsmanship, it's probably worth noting that in the current global situation, betting on virtual sports has become a huge business. Deliberately taking people out isn't a good look."

This is particularly disappointing when we contrast these actions with the performances of those professional athletes who respect the legitimacy of esports and are making great strides towards improving viewership and betting figures for the vertical.

Although Interwetten's CEO confirmed the esports vertical had gained traction during the current crisis, he also said he didn't expect this to last once real sport returns.

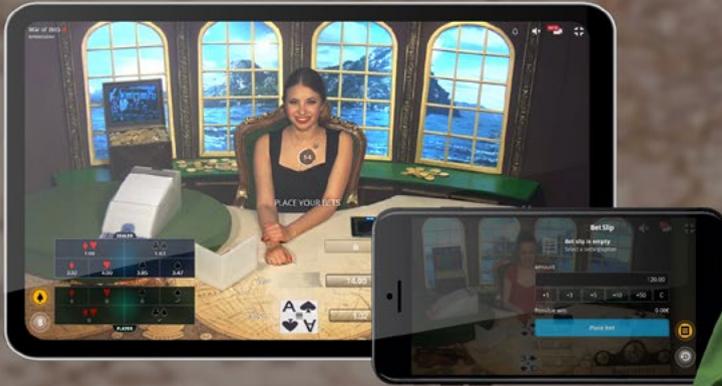
"Mid to long term there will be an increase in revenue and some punters will be interested," Beier said. "But if you ask me, it will not remain on the revenue levels it is on now."

Indeed, it would be difficult to argue with him on this point; but if esports does want to maintain some traction, demonstrating legitimacy is one of the most important factors in achieving its potential in the long term.

For this reason, unsporting behaviour, such as that seen from Pagenaud, should be met with appropriate punishment.

Those looking to establish esports as the next big thing in betting need to combat the 'it's just a game' mentality; punishing those competitors who subscribe to it accordingly is an important step.

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## 17

Alleged members of a gaming syndicate arrested by Hong Kong police, which used a foreign gambling website to make HK\$133m (\$17.2m) over a 14-month period



## 4%

LeoVegas Q1 revenue saw a year-on-year rise to €89.4m (\$96.5m), while EBITDA increased 25% to €9m



## Q1 ROUND UP: GIG, SJM AND GLOBAL GAMING

Gaming Innovation Group (GiG) has reported revenue of €31.1m (\$33.7m) for Q1 2020, a drop of 4% year-on-year.

EBITDA was €2.5m for the period, a fall of 39%, while operating expenses were €12.9m, down 3%.

GiG's B2B segment saw Q1 2020 revenue of €12.7m, a drop of 11%, and its media services generated €8.2m, down 10%.

Revenue from the B2C segment was €20m, down 1%, while EBITDA from this segment was €1.2m, a drop of 8%.

Meanwhile, SJM Holdings has reported a total revenue decline of 62% for Q1 2020, with the coronavirus outbreak having a severe impact on the Macau-based operator.

Total revenue was down for the period ending 31 March, to HK\$3.48bn (\$449m), with net gaming revenue decreasing by 60% to HK\$3.41bn and gross gaming revenue also down to \$3.94bn, 62% lower than 2019.

Adjusted EBITDA showed a massive fall, dropping 119% from last year, to negative HK\$200m. The Macau-headquartered operator posted a net loss of HK\$409m, decreasing 148% from 2019, when SJM

recorded a profit of HK\$850m.

Elsewhere, Global Gaming saw revenue of SEK 57.8m (\$5.8m) for Q1, down 64%.

Of this total revenue, SEK 50.7m came from the operator's own gaming operations, down 66%, while SEK 7.1m came from its brands on other platforms, a decrease of 34%.

The quarter saw an operating loss of SEK 400,000, down 99%. The operator saw SEK 33.2m of operating expenses during the quarter, a drop of 73%, and marketing spend was cut by 89% to SEK 9.1m.

**GI Verdict:** While GiG saw a decline in Q1 revenue, the company returned to performance growth for the first time in five quarters. This can be attributed to its cost-saving measures implemented during 2019 and could perhaps put it on the road to recovery.

But Global Gaming has been struggling since the revocation of its Swedish license by the Swedish Gambling Authority last year. CEO Tobias Fagerlund is still confident this decision will be overturned, but the operator will need to implement some drastic cost-saving measures this year if it aims to return to growth.

# AU\$500m



In EBITDA generated by Crown Resorts from 1 July 2019 to 23 March 2020 (\$321.7m), before COVID-19-related closures

## 18 May

The latest England international footballer Kieran Trippier can appeal a Football Association (FA) misconduct charge, due to betting breaches in July 2019



## BGC CEO CONFOUNDS INDUSTRY CRITICS, INCLUDING MP'S 'HEROIN' COMPARISON

Betting and Gaming Council CEO Michael Dugher says the work the gambling industry has done to protect players during the coronavirus outbreak should alleviate fears existing outside the sector.

It was announced last month members of the BGC in the UK would no longer advertise on TV or radio during lockdown for at least six weeks.

In March, the BGC also introduced a 10-pledge action plan to protect anyone at risk of gambling harm during this period.

Dugher said: "The BGC and its members take their responsibilities seriously. At the start of the COVID-19 crisis, anti-gambling hardliners warned there would be a huge increase in gambling, that operators would 'cash in on COVID' and that marketing and advertising would be stepped up to 'groom' new customers to online betting.

"None of this is true. Of course I expect prohibitionists to keep shifting the goalposts and to keep using COVID as their opportunity to kick the industry. But thanks to the action we have taken, standards are on the up and fears are proving unfounded."

The BGC CEO also singled out one MP's comparison to advertising heroin.

Dugher added: "I appreciate working from home is driving us all a little stir crazy at the moment, but one prominent anti-gambling MP recently even said it was right to ban all advertising of gambling because 'you wouldn't advertise heroin on TV'.

"I'm all for engaging with the industry's critics, but in all seriousness comparing things like the National Lottery or online bingo, that still advertise on the telly, with heroin is just plain daft."

**GI Verdict:** The industry, and in particular the BGC along with its members, has been proactive in producing voluntary measures to protect players during this time and rightly so.

Comparing gambling with heroin is certainly not helpful, but it's unsurprising given the negative image gambling has outside the industry in the UK. Hopefully, such comments won't deter the sector from continuing to focus on responsible gambling during this lockdown period.

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– Shimon Akad, COO, Playtech



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## THE WEEK IN QUOTES

*"For me, what's missing in the gambling industry is a closer relationship between the actual companies and the problems they're causing, thinking about my own personal experiences. I would love to see a situation where we invite and listen to the various stories as it will make us more human."*

**Catena Media founder Erik Bergman, speaking at a digital panel, on how the industry can improve player protection by building a closer link with players**

*"I would like to take the opportunity to thank everyone who was part of this great and amazing journey, first and foremost my Stars Group colleagues across the world and across all offices. You have been my bedrock, the base for everything I did; none of it would have been achieved without you."*

**Part of outgoing Stars Group CEO Rafi Ashkenazi's farewell message ahead of the Flutter Entertainment merger; he takes up a non-executive director role in the new firm**

## MACAU APRIL REVENUE FALLS 97% AS CASINOS STRUGGLE TO OFFSET COVID-19 LOSSES

Macau casinos' gross gaming revenue (GGR) for April fell 97% year-on-year, and 86% month-on-month, as the region continues to struggle with the coronavirus impact.

Figures from the Macau Gaming Inspection and Coordination Bureau showed April's GGR was MOP754 million (\$94.4 million).

Year-to-date, Macau's GGR has decreased by 69% compared to 2019, with the first four months of 2020 earning Macau MOP31.24 billion.

The heavy drop was caused by travel restrictions and national lockdowns. Macau received just several hundred visitors per day in April 2020, while the same period in 2019 saw close to 100,000 visitors on a daily basis.

Credit Suisse equity analyst Kenneth Fong said the Individual Visit Scheme could help Macau's situation.

He said: "We estimate the pent-up demand will help the VIP business to recover to 50% once borders reopen and likely reach 100% of the pre-virus level in summer time." However, mass GGR is only likely to recover by the

end of the year.

To help offset some of the losses, Macau is preparing for some changes. The region plans to invest in tourism within the Greater Bay Area and lower the reliance on Hong Kong International Airport.

Macau is aiming to expand its reach beyond current alternatives, although there have been unaddressed suggestions of an 'over-reliance' on casinos for some time now.

Maria Helena de Senna Fernandes, director of the Macau government tourism office, said: "Macau recorded double-digit growth of international visitors in the first half of 2019. However, international visitors significantly dropped in the second half of last year, influenced by the situation in Hong Kong."

**GI Verdict:** It has been a tumultuous time for gaming in Macau, with revenue down in eight months last year (even before the COVID-19 outbreak).

Continued losses are proving catastrophic and, despite talk of travel flexibility and adaptability, restrictions are likely to remain for some time to come, extending this daunting period for casinos.

*"I think the recovery from this pandemic is going to force a digital transformation in our industry a whole lot quicker than we might normally have seen it come. There will still be people opposed to gambling on a digital platform, but I think we've learned reliance on a brick and mortar sales channel is probably not the best model moving forward."*

**Oregon State Lottery CEO Barry Pack on the coronavirus outbreak leading to a digital transformation for US lotteries**

*"The governor can no more permit gambling prohibited by state criminal law via unilateral compact than he could agree to allow a tribe to sell illicit controlled substances to members of the public in Indian country. The governor lacks the authority to unilaterally bind the state to compacts with Indian tribes that authorise activity prohibited by state law."*

**Oklahoma attorney general Mike Hunter questioning the legitimacy of the Otoe-Missouria and Comanche Nation tribes signing new compact agreements with governor Kevin Skitt to permit sports betting**

## ESPORTS TAKES CENTRE STAGE AS SICKODDS RETURNS FOR AFFILIATECON VIRTUALLY LIVE

Esports affiliate SickOdds will be speaking at AffiliateCon Virtually Live on Tuesday 12 May.

Following their appearance at AffiliateCon Sofia 2019, Tom Wade and Nick Pateman, SickOdds co-founders, will present 'Pandemics & The Future: An unprecedented opportunity for esports?' for this year's virtual edition.

AffiliateCon Virtually Live will be free to watch on YouTube, following the postponement of AffiliateCon Sofia to 2021 due to the COVID-19 outbreak.

Wade and Pateman tell us more about their panel below; for the full event agenda, visit [www.affiliatecon.com](http://www.affiliatecon.com).

### How is the coronavirus pandemic currently affecting your business?

As an esports-first affiliate platform we're in a unique position during this coronavirus outbreak. We've seen our traffic more than double across a range of esports titles and seen astounding interest in some of the cross-over esports titles such as FIFA and NBA2k. Interest

across social media has spiked and the esports industry as a whole has boomed.

### What advice would you give operators and affiliates during these testing times?

With the mandatory halting of traditional sports around the globe, we've no doubt many affiliates have seen a great lull in both traffic and revenue. In these times it's important to ensure your affiliate network has enough diversity to ensure it can be sustained. Slots, virtual sports and, most importantly to us, esports have flourished during this time.

### What will your talk be about at AffiliateCon Virtually Live?

We'll be talking about how COVID-19 has been an unexpected and unprecedented opportunity for esports and the betting/affiliate industry. We'll be sharing both our first-hand experiences and insights from our esports specialist betting partners.

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## MA, INDY FALLS

Massachusetts' March revenue fell 11.66%, but fell 64.05% when excluding Wynn's Encore Boston, which opened in June last year.

Daily average revenue excluding Encore fell 25.71%, but including the property daily average revenue grew 82.56% in the 15 days of operation this year vs. 31 days last year.

Indiana's gaming revenue fell 55.05% in March while average daily revenue for the 15 full days of operations fell 11.81% compared to the full month last year.

Casinos closed temporarily the morning of March 16.

## MASSACHUSETTS:

TOTAL GAMING	REVENUE (M)	% CHANGE
MGM Springfield (MGM)	\$9.328	-63.68
Plainridge Park (PENN)	\$4.757	-64.76
Encore Boston Harbor (WYNN)	\$20.525	N/A
TOTAL	\$34.610	-11.66
SAME STORE	\$14.085	-64.05

SLOTS	REVENUE (M)	% CHANGE
MGM Springfield (MGM)	\$7.007	-62.28
Plainridge Park (PENN)	\$4.757	-64.76
Encore Boston Harbor (WYNN)	\$9.423	N/A
TOTAL	\$21.187	-33.95
SAME STORE	\$11.764	-63.32

TABLE GAMES	REVENUE (M)	% CHANGE
MGM Springfield (MGM)	\$2.321	-67.33
Encore Boston Harbor (WYNN)	\$11.102	N/A
TOTAL	\$13.423	+88.93
SAME STORE	\$2.321	-67.33

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### INDIANA

CASINOS	REVENUE (M)	% CHANGE
Indiana Grand (CZR)	\$11.889	-51.24
Hoosier Park (CZR)	\$8.701	-52.34
Horseshoe Hammond (CZR)	\$17.784	-53.35
Hollywood (PENN)	\$7.128	-55.35
Tropicana (ERI)	\$6.655	-56.40
Caesars Southern Indiana	\$8.441	-58.56
Blue Chip (BYD)	\$6.341	-58.74
Rising Star (FLL)	\$1.637	-58.95
Majestic Star	\$3.495	-59.09
Ameristar (PENN)	\$8.729	-59.77
Belterra (BYD)	\$3.940	-63.13
French Lick	\$3.090	-64.46
Majestic Star II	nil	-100.00
CASINO TOTAL	\$87.831	-57.69

### SPORTS BETTING

SLOTS	REVENUE (M)	% CHANGE VS. FEBRUARY
Belterra (BYD)	\$317	+826.98
French Lick	\$0.327	-12.89
Blue Chip (BYD)	\$1.594	22.65
Hollywood (PENN)	\$0.245	-47.02
Hoosier Park (CZR)	\$0.134	-50.40
Ameristar (PENN)	\$2.659	-56.04
Indiana Grand (CZR)	\$0.219	-57.62
SPORTS BETTING TOTAL	\$5.496	-50.46

## GUEST INTERVIEW

sportradar

**FRANK WENZIG**  
GAMING MANAGING DIRECTOR

**WERNER BECHER**  
US BETTING MANAGER  
DIRECTOR, SPORTRADAR

*Wenzig and Becher speak to  
Gambling Insider about the  
importance of a virtual sports  
offering during lockdown in the absence of major sport*

**With live sports betting postponed or cancelled, do you see virtual sports as the main vertical to replace that offering?**

**FW:** Virtual sports has always relied on cutting-edge technology to replicate the live sport experience. In the absence of live sports, then, virtual sports can help operators retain existing customers and attract new customers with a product that offers similar entertainment to that of real-life sports betting. Unlike real sports, virtual sports are always on, allowing customers to access them 24/7 whenever and however they like across multiple channels too. It's therefore a key product for the industry at the moment as it provides a way for operators to continue to drive engagement and revenues.

As the gap between virtual and real sports closes even more due to further advancements in technology, virtual sports will increasingly become a vital part of futureproofing a sportsbook and showcasing its innovative quality.

**How had Sportradar's virtual products performed before the coronavirus outbreak?**

**FW:** Like all of our products, we have listened to the needs of our clients and continued to develop virtual sports on an ongoing basis to help appeal to a broader, global audience.

Although viewed by many in the industry as a niche 'add-on' for sportsbook operators, virtual sports can help boost appeal and engagement. Typically, virtual sports will account for a single digital percentage of a sportsbook's revenue. But, given the current environment with the absence of live sports, we have seen an increase in demand for virtuals and revenues are growing significantly.

**With the release of Sportradar's Simulated Reality, how will this stand out from the rest of the market and have you seen a big appetite for the product?**

**WB:** Our Simulated Reality offering was developed to address a real customer need. It was built by our in-house team and is based on our own AI and machine-learning technology, making it unique and a first in the market. For each match, our live data is fed into AI algorithms, which our AI engine uses to create various game situations, outcome and game plays to generate a similar experience to real-life, yet each outcome is completely unpredictable for fans' entertainment.

It provides an innovative betting option for our clients, while allowing fans to continue to enjoy their favourite live sports. All remaining fixtures of the major football tournaments across England, Germany and Spain, for example, are scheduled to take place as per their original date and kick-off time. Simulated Twenty20 cricket has also been added, with more sports including tennis and basketball to come.

Simulated Reality will be one of our main offerings during this period and we're already seeing significant uptake as we continue to add more sports to the product range, which is great news. It's something we've been working on in the background for some time. But with the absence of live sports, we decided to fast-track its release and put a new category on the market. We are really proud to have been able to focus our resources on turning this around quickly.

**Do you see business booming for virtual sports during this period and can it be sustained?**

**FW:** We have already witnessed an increase in virtual sports revenue since the widespread postponement of live sports. There's no doubt that can grow even further if sportsbooks continue to leverage it as an 'always on' part of their offering. Despite being seen as a niche product, virtual sports have always been one way to help sportsbooks go digital and futureproof their offering outside real sport. The current climate provides a real chance for sportsbooks to integrate virtual sports as a new component in their offering, if they haven't already, and look to highlight it as a way of attracting time on site and new audiences. Additionally, virtual sports has historically been a great way to reach new audiences, some of whom may return to the site once they're engaged. So, again, this is the perfect time to enhance a sportsbook with the added innovation, entertainment and engagement factor that virtual sports provides for both now and in the future, given it's available 24/7 in and around live sports.

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