

GI FRIDAY

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THIS WEEK

- Positive momentum as US casinos reopen
- US firms turn to online partnerships
- Trading and Q1 updates from across the industry
- Silver Heritage and Nektan face financial hurdles

GUEST COLUMNIST:

- Lloyd Butler, CEO, Live 5

WEEK 21

FRIDAY 22 MAY 2020

GRADUAL RETURN OF MAJOR SPORT PROVIDES BOOST FOR OPERATORS



The German Bundesliga was the first major football league in the world to return from suspension last weekend, although while football is back, it's not quite as we know and love it.

COVID-19 lockdown restrictions being eased in Germany meant the top two tiers – Bundesliga and 2. Bundesliga – returned on 16 May. However,



CASINO TURNKEY SOLUTION



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THIS WEEK IN NUMBERS



5%

Year-on-year fall in Denmark's Q1 gross gaming revenue, as reported by the Danish regulator, to DKK 1.53bn (\$224.9m)

£10m



Value of the Betting and Gaming Council's new national gambling education support programme in the UK (\$12.2m), providing gambling awareness to 11-19 year olds



41%

Year-on-year rise in Bragg Gaming Group 2019 revenue, up to €26.6m (\$29.1m) on a pro forma basis

12.5 million

Ladbrokes customers who moved across to GVC Holdings' technology platform, after it completed migration of its Ladbrokes Coral brands



46%

Problem gamblers in the UK who have not accessed treatment or support, due to a lack of awareness and social stigma, according to a report from GambleAware

matches were played behind closed doors, with social distancing carried out on each team's bench and any elaborate goal celebrations discouraged.

That didn't stop fans tuning in to their apps and televisions, with early figures showing a record six million viewers watched Sky Germany's goal programme on Saturday, broadcast for free. Reports also suggest TV viewership of Dortmund's 4-0 win over rivals Schalke peaked at 652,000 viewers on BT Sport.

The Bundesliga's return provided a much-needed boost for sports betting operators and punters alike, following a lengthy absence of top-level sport.

Those views were echoed by Betway, which said the comeback of major football was welcomed, although the operator warned a return to regular betting patterns isn't coming anytime soon.

A spokesperson told *Gambling Insider*: "Betway punters welcomed the return of the Bundesliga and it was evident they were crying out for football from a league where players were more recognisable."

"Although most recreational punters prefer a wider spread of leagues and additions of other sports – particularly horseracing – to make up the perfect Saturday, and that looks a little way off yet."

The return of the Bundesliga helped Kindred Group double its turnover weekend-on-weekend, with the operator stating betting on live football has been long overdue.

Speaking to *Gambling Insider*, a spokesperson explained: "This weekend, with the first major league in football returning, was a welcome contribution to making the situation we all find ourselves in more 'normal'."

"We could see the wish for betting on live football was longed for and an example of this was that turnover across the weekend more than doubled compared to the weekend before. The game that was most attractive was Dortmund vs Schalke."

For US bettors, though, the Bundesliga wasn't the only major live sport to resume. UFC 249 made its comeback on 9 May, with another event held the following week, while NASCAR was back to the tracks at Darlington Raceway on Sunday.

This live sport provided a significant boost for Rush Street Interactive, which saw sports wagering handle reach double that of any other weekend during the COVID-19 pandemic, for both of the last two weekends.

The return of the Bundesliga also saw four times the typical activity Bundesliga matches would receive on Rush Street Interactive sportsbooks.

According to the operator, which manages the BetRivers and PlaySugarHouse online brands in Philadelphia, New Jersey, Indiana and Colorado, UFC betting produced 1.5 times the expected volumes, while NASCAR betting was double that of projections.

With more sports returning, UFC wagering was 25% of overall handle, compared to 40% the previous weekend.

The most popular Bundesliga match of the weekend for Rush Street Interactive was Sunday's clash between Bayern Munich and Union Berlin, which received 34% of total Bundesliga handle.

GI Verdict: Operators and players have been desperate for the long-awaited return of major sport, with that pent-up demand reflected in operators' weekend handle, although less has been said about revenue.

Interest in the Bundesliga was reflected by its viewing figures and increased activity at Rush Street sportsbooks.

As stated, however, even though the likes of Kindred posted double turnover compared to the previous weekend, we're still far from a "perfect" scenario.

With this sort of uptake from the Bundesliga, NASCAR and UFC, imagine the response when markets such as the English Premier League return?

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Complaints made about illegal gambling in the UK during the COVID-19 lockdown, which doesn't show an increase from before the pandemic

 \$52.3m

In Inspired Entertainment Q1 revenue, which showed a year-on-year rise of 55%

30%

Year-on-year growth for DraftKings' Q1 revenue, to \$89m, in its first reported earnings since becoming a public company



US CASINOS BEGIN REOPENING AS LOCKDOWN MEASURES EASE

Casinos have begun to reopen in the US this week after a nationwide closure in March due to the COVID-19 pandemic.

The outbreak led to all 989 US commercial and tribal casino properties being closed and, according to the American Gaming Association, 91 had reopened by 19 May, with many more imminent.

Eldorado Resorts resumed operations in three of its casinos in Louisiana on 18 May, at Isle of Capri Lake Charles, Belle of Baton Rouge and Eldorado Shreveport.

Louisiana eased lockdown measures from 15 May and Eldorado will implement the Louisiana Gaming Control Board's regulations, limiting gaming positions to 50% of prior levels, at just 25% of facility capacity, and strict social distancing measures.

Easing of restrictions also led to Boyd Gaming resuming operations at several Louisiana properties from 20 May, including Delta Downs Racetrack Casino Hotel, Evangeline Downs Racetrack Casino Hotel and Treasure Chest Casino. It was announced IP Casino Resort Spa in

Biloxi and Sam's Hotel & Gambling Hall in Tunica would reopen in Mississippi on 21 May.

MGM Resorts International plans the first reopening of its casinos on 25 May, with Gold Strike Casino Resort in Tunica, Mississippi, followed by Biloxi's Beau Rivage Resort and Casino on 1 June.

Meanwhile, Wynn Resorts said it will not initially offer poker in its Las Vegas or Boston casinos when properties resume activity, as playing behind a protective mask isn't viable.

In further encouraging news, the Nevada Gaming Control Board has stated restaurants within a licensed gaming property can reopen.

GI Verdict: The long road to recovery starts here. It's going to be slow going, with capacity restrictions and social distancing measures in place.

In the states where online gaming is legal, it'll be interesting to see how much emphasis is placed on returning to a land-based setting by comparison.

Either way, it's hugely encouraging to see, as the industry starts to rebuild from the rubble.

THE WEEK IN QUOTES

"My hopeful estimate is we will see 30% or 40% of the new audience stay with esports in some capacity, a pessimistic view would be 10-20%, which would still be a massive rise."

SickOdds co-founder Tom Wade speaking at Gambling Insider's AffiliateCon Virtually Live about the rise of esports

"We asked some of our clients for their opinion on virtual sports. All of them together say it has turned into a very important source of revenue. In terms of average players, virtual sports has increased by 206% as a result of the impact of COVID-19."

Martin Wachter, CEO of virtual sports supplier Golden Race, speaking at AffiliateCon on the importance of virtual sports during the current pandemic

US OPERATORS SEAL ONLINE PARTNERSHIPS

Scientific Games, Evolution Gaming and Bet365 have all signed partnerships to expand their digital presences in the US.

Scientific Games has launched ReelPlay content with Golden Nugget Online Casino in the state of New Jersey.

The content will be distributed through the supplier's Open Gaming System and will include titles such as El Dorado Infinity Reels, with Hypernova Megaways on the roadmap for future releases.

Meanwhile, Evolution Gaming has also signed a partnership with Golden Nugget. The agreement will see the operator's online players gain access to an array of Evolution games.

The games will be streamed live to players in New Jersey from either Evolution's or Golden Nugget's live casino studios, both situated in Atlantic City.

The agreement will initially apply in New Jersey, with an expansion in additional US states to take place in the future through Evolution's online live casino service.

Elsewhere, Bet365 signed a new agreement with Century Casinos, making it official sports betting partner of the

casino operator in Colorado.

Bet365 will become Century Casinos' second internet sports betting operator partner in the state after it signed a similar deal with Circa Sports Colorado earlier in the year.

The deal will see Bet365 operate an internet and mobile sports betting application under its own brand, with the 10-year agreement including a minimum annual revenue guarantee and a percentage share of net gaming revenue payable to Century Casinos each year.

GI Verdict: Continued expansion in the US goes to show that, while the COVID-19 pandemic has temporarily put a stop to land-based casinos and sports betting, it has not quelled any interest in the market.

It's clear land-based casinos are looking to expand their online portfolios – something which could certainly be seen as a by-product of lockdowns and casino closures.

Online integration with land-based casinos is something we should see more of over the next few months, as operators look to the post-COVID world.



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TRADING UPDATES: PLAYTECH, WILLIAM HILL, MELCO RESORTS, BETTER COLLECTIVE AND BLOOMBERY

Supplier Playtech says it generated "strong" adjusted EBITDA of €117m (\$128m) for Q1, as it continues to cope with the coronavirus pandemic.

The gaming provider did not give details about overall revenue in its trading update, focusing instead mainly on EBITDA, with adjusted EBITDA in April being €23m.

This was mainly driven by its financial arm, TradeTech, as well as cash preservation measures.

William Hill announced it's still displaying "strong performance" in international markets, led by growth in gaming.

The operator's online revenue was down 21%, while retail like-for-like revenue fell 85% and US revenue dropped 90%.

William Hill also announced it could receive up to £150m (\$183.7m) after a recent tribunal ruled the gaming industry overpaid VAT on fixed-odds betting terminals between 2005 and 2013.

Melco Resorts & Entertainment didn't fare as well comparatively, suffering a net loss of \$364m in Q1 2020, compared to \$120.1m of net income the previous year.

The group's gross gaming revenue fell by 40%, to \$964m. Adjusted property EBITDA

fell by 82% to \$75m, while normalised EBITDA stands at \$12m.

In the affiliate sector, Better Collective reported 40% revenue growth for Q1 2020, with sports betting excelling until the suspension of major sport in mid-March.

Revenue for the first three months through 31 March was up to €20.9m, while organic growth was 21%.

Elsewhere, Bloomberg Resorts Corporation reported a 13% decline in net revenue for Q1. Earnings were Php9.4bn (\$186.5m).

GI Verdict: Q1 updates have displayed similar trends in 2020, as the pandemic causes net losses to rise and revenue to decline for the most part.

The impressive performance of Better Collective suggests affiliates may be slightly more resilient to the effects of the pandemic than operators themselves.

Although William Hill's overall online revenue is down, it can take some solace in the growth of its online international segment by 5%, while appearing optimistic about its sports betting plans.

"I just did some research in betting projects and for the last two months, the trend has gone down. Searches have decreased but impressions and clicks have increased. It's normal and our expectation is it should get back to normal, not to the same volumes but it should be back, maybe at 50% for the next three months. This is a really hard situation but the reality is the volume of searches have decreased during this period."

Speaking at AffiliateCon Virtually Live, Netpeak Bulgaria CEO Gennadiy Vorobyov discusses decreasing search patterns

TAKING STOCK

SHARE PRICES COVER THURSDAY
14 MAY TO THURSDAY 21 MAY
(10AM BST)

DraftKings
29.69 USD



17%

Playtech
241.70 GBP



14%

William Hill
129.15 GBP



21%

MGM Resorts
16.50 USD



22%

Boyd Gaming
19.84 USD



28%

SILVER HERITAGE IN ADMINISTRATION; NEKTAN REMOVED FROM LONDON STOCK EXCHANGE

Asian casino operator Silver Heritage Group has entered into voluntary administration.

Silver Heritage announced it has appointed Ryan Eagle and Amanda Coneyworth of KPMG as voluntary administrators of the group.

Silver Heritage reported it was "exploring options to generate liquidity" prior to the current pandemic, and that it had "received expressions from several parties in respect of possible transactions."

However in March, the company was forced to close its facilities in Nepal in accordance with COVID-19 restrictions, including the Tiger Palace Resort Bhairahawa, the Millionaire's Club and Casino Kathmandu.

The operator's main lender, OCP, provided additional funds in January 2020 but is no longer willing to provide further support.

Meanwhile, Nektan is no longer trading on the Alternative Investment Market (AIM) of the London Stock Exchange, after its admission was cancelled.

The supplier failed to appoint a new nominated adviser within one month of entering administration.

Rule 1 of the AIM states admission of a company's securities to trading will be cancelled if a replacement nominated advisor isn't appointed within a month.

Shore Capital and Corporate resigned as nominated advisor last month, with Nektan stating at the time it had no intention of appointing a replacement.

Last month, administrators were brought in for the second time this year, after the supplier failed to secure necessary funds to continue operating.

GI Verdict: Undoubtedly, the current pandemic has caused issues for operators and suppliers across the industry.

This week, we saw Tabcorp secure an agreement with its bank lenders, permitting the waiver of leverage and interest cover covenants, while Aristocrat signed for a new \$500m loan to preserve its balance sheet.

The pandemic has been costly for firms unable to enact such measures.

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PA ONLINE GAMING GROWS

Pennsylvania online gaming boomed in April, more than doubling March's revenue to a record \$43.06m.

Online poker was only marginally higher than that of New Jersey but still brought in \$5.253m.

Sports betting revenue was carried by online betting, which amounted to \$3.226m from handle of \$46.016m.

Daily fantasy sports revenue fell 76.9% month-over-month and 90.97% from last year to \$167,254.

DraftKings took the highest market share with 73.99%, while FanDuel only accounted for 26.01% of revenue. They were the only two operators to generate revenue last month.

ONLINE GAMING

MARKET/PROPERTY	REVENUE (M)	PARTNERS
Rivers Philadelphia (Rush Street)	\$13.706	Rush St
Mount Airy	\$10.449	Kindred/FLTR
Valley Forge (BYD)	\$7.936	BYD/FLTR
Hollywood (PENN)	\$4.584	PENN/FLTR
Parx (Greenwood)	\$4.114	Greenwood/GAN
Mohegan	\$1.833	Kindred
Caesars Interactive	\$231,464	CZR
Presque Isle (CHDN)	\$214,071	CHDN
Online Gaming Total	\$43.068	N/A

SPORTS BETTING

MARKET/PROPERTY	REVENUE	% CHANGE	PARTNER
Valley Forge (BYD)	\$1,350 M	+255.60	BYD/FLTR
Rivers Philadelphia (Rush Street)	\$353,842	-54.70	Rush St/Kambi
Rivers (Rush Street)	\$197,388	-77.36	Rush St/Kambi
Parx (Greenwood)	\$200,865	-77.86	Greenwood/Kambi
Harrah's (CZR)	-\$557	-100.20	CZR/SGMS
Presque Isle (CHDN)	-\$3,114	N/A	CHDN
Mount Airy	\$250,635	N/A	FLTR
Mohegan Sun Pocono	\$38,183	N/A	Kindred
The Meadows (PENN)	\$815,110	N/A	DraftKings
Sports Betting Total	\$3.203 M	-24.13	N/A

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GUEST COLUMNIST

LLOYD BUTLER

CEO, LIVE 5

Butler believes there are upsides to be capitalised upon in these unprecedented times

The COVID-19 pandemic has caused no end of challenges for the global gaming industry,

with the land-based sector hit particularly hard.

The biggest change has undoubtedly been the need to work remotely, separating teams, turning processes and procedures on their head and impacting business development.

But where there are challenges there are opportunities, and by embracing the situation and adapting to new ways of working, upsides can be found.

Below, I discuss some of the key challenges we have faced, as well as the opportunities we have been able to unlock since working from home.

THE CHALLENGES

As a games developer, we are usually very active when it comes to face-to-face meetings and showcasing our products to operators in person.

Naturally, COVID-19 has prevented us from doing this, and will likely prevent us from doing so for some time, so we have been forced to find new ways of engaging with partners current and new.

This also applies to our own internal communications. Remote working makes you realise how much you take general office chat and conversations for granted.

Like many other businesses, we have turned to communication technologies to overcome these challenges, though they are not without their difficulties.

In particular, I miss being able to clearly read the facial expressions and body language of the people I am talking to – something I believe really helps build a personal connection with someone.

THE OPPORTUNITIES

Those that were quick to switch to remote working will have realised there are opportunities to be had – not least proving that disaster recovery plans and processes work as they should.

It also allows for a little more breathing space to think and explore new ideas without interruption; at home, calls are planned and colleagues don't approach for a quick chat.

This has allowed us to focus on developing new systems and tools we can deploy as soon as we hit the ground running on the other side of the pandemic.

What's more, some of the online tools we have had to use to communicate have identified new areas of efficiencies and helped streamline areas of the business.

For example, we have adopted a much more structured timetable for our internal meetings. Coupled with centralised online resources, this has improved information sharing across the business.

Another upside to having a little more time on our hands has been that we have had the capacity to undertake more market research than we would normally.

This has meant playing slots, understanding trends and tweaking our product roadmap and production line to ensure we're creating the content players are seeking.

Other businesses that adapted to remote working efficiently and effectively will also have been afforded this time, and will undoubtedly have used it to fine-tune their roadmaps.

In addition, time can be spent working on the business; like most, we are guilty of working for our business and not on it.

Remote working has provided the opportunity to evaluate where we're at and where we want to be, and to put a revised strategy together to ensure we get there.

VALUE YOUR TEAM

There's no organisation out there that doesn't value the incredible group of people who work with and for it, although the current situation has shown just how important they really are.

For us, it has revealed a strong, dynamic and passionate team, which has pulled together to ensure the business moves forward despite new challenges being faced.

I know we won't be the only business that has seen this, and I believe it's a reflection of the quality of the talent that exists within the online gambling sector.

Remote working may be temporary, but I believe it has provided opportunities, and taught us lessons that will stay with us long into the future.

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