



WEEK 25

FRIDAY 19 JUN 2020

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THIS WEEK

- APPG report targets huge UK restrictions
- BGC members make £100m pledge
- FanDuel & Broncos partner
- More US casinos reopen

VIRTUALS VS ESPORTS SPECIAL:

- EveryMatrix
- UltraPlay
- Digitain
- Golden Race
- IMG ARENA
- DS Virtual Gaming

BETSSON AB CEO REACTS TO SGA FINE AND SWEDISH GAMBLING RESTRICTIONS



Gambling Insider caught up with Pontus Lindwall, CEO of Betsson AB, to discuss the operator's Swedish troubles, including a recent SEK 20m (\$2.1m) fine.

What was your first reaction when you received this fine from the SGA?

In one word – we were surprised. We did not expect it and on top of that, it was quite a substantial fine in our view.



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THIS WEEK IN NUMBERS

17%



Percentage drop for Greek operator OPAP's Q1 2020 year-on-year revenue to €328.3m (\$369.4m) due to COVID-19 related retail closures

Article 37

Spain has lifted temporary online gambling advertising restrictions, enforced in early April due to the coronavirus pandemic, after the Decree Law article was lifted



10

Unlicensed gambling operators ordered to withdraw from the Swedish market by the Swedish Gambling Authority

157%



Year-on-year drop of adjusted EBITDA estimated by Wynn Macau for April and May, which is set to fall between \$118.8m and \$126.1m



18

People arrested by Japanese police in Saitama Prefecture, in association with an illegal gambling operation.

Could you explain a bit about the offences Betsson has been accused of and why you've taken the decision to appeal the penalty?

There were two offences. One was related to a branded Mastercard that we had given out to certain players. When we launched them, we said that in the future there might be some additional value for the customers using those cards. But once we realised the SGA was very restrictive or very extensive on how they read and interpreted the regulation, we decided to never give any extra value to the cards – so that part has never happened.

If that would have been a violation of the regulation, we would have never done it. And the second part was that we sold vouchers to the site through physical outlets, like value cards. You could compare it to telephone cash cards and things like that.

In that case, the SGA has made a very wide interpretation that they view these outlets as gaming outlets. But that's wrong according to us as you couldn't play in the shop and you were not supposed to play in the shop.

You go home, you register through your own computer and everything. This was like selling a pre-paid card; that doesn't turn that shop into a gaming shop.

Would you say this fine is the result of a lack of guidance from the SGA?

Yes, very much so. The regulation as such is still brand new. It's been around for nearly one-and-a-half years and regulations like that can't be 100% detailed as otherwise things will be left out. So it's a bit of framework regulation.

The interpretation of that framework needs to be built up through practice over time and that's what happens elsewhere. We'd rather have dialogue – if the authority tells us that we can't advertise in that way, then we will definitely follow that. Or if they tell us that we think you shouldn't sell vouchers in that shop as we think it could be seen as a gambling outlet, we will stop doing that. And then the industry will learn how the authority is reading the regulation.

The Swedish Government has decided to implement new gambling restrictions. The industry argues this will only increase traffic towards the black market and illegal sites. What would you say to industry critics who say this risk is being exaggerated by operators to avoid stricter restrictions?

To me, it's obvious that if you put a limit on how much players can deposit, they will search for alternatives. Anyone can understand that these limitations will impact channelisation and push players out of the Swedish market. That's a fact. The restrictions come at a time when all other countries and other sectors are taking restrictions away – restaurants are open, Spain has removed their gambling bans, etc. The pandemic is decreasing its impact on society day by day, so it looks very strange to be implementing such measures at this point – it's like three months too late if that was really the case.

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Year-on-year decline in Q1 gross gaming revenue for Sazka Group, to €405m (\$455.3m), with the Czech-based operator attributing the fall to COVID-19



1 July

Date the World Series of Poker (WSOP) expects to start as it moves to an online format for a two-month summer event

32%

Drop in year-on-year revenue for the first 23 weeks of 2020 for William Hill, although it has seen a recent online recovery



APPG CALLS FOR UK ADVERTISING BAN AMID LIST OF SWEEPING CHANGES TO ONLINE GAMING

The Gambling-Related Harm All Party Parliamentary Group (APPG) has called for sweeping changes to online gaming in the UK, including a ban on all gambling advertisement and a £2 (\$2.53) stake limits for online slots.

The APPG also called for a complete overhaul of the Gambling Commission, calling it “not fit for purpose”.

Its report mentioned the need for a new Gambling Act, suggesting the Government should consider short-term changes to overhaul the 2005 Act, to make it “fit for our digital age.”

A ban on all VIP schemes was also put forward, as well as a review of stake, deposit and online prize limits, and affordability limits set and imposed by the Gambling Commission.

Another recommendation was restricting in-play sports betting to venues or via the telephone, to bring it in line with regulation in Australia.

While the group says it’s not anti-gambling, the fact the Gambling Commission estimates there are

395,000 problem gamblers in Great Britain, means it believes it should be treated as a public health issue.

In response, the Betting and Gaming Council (BGC) said there is no evidence problem gambling has increased, and the restrictions could harm channelisation. However, gambling and regulatory lawyer at Keystone Law, Richard Williams, said he wouldn’t be surprised to see some, if not all the recommendations implemented in the “not too distant future”.

GI Verdict: There are several recommendations that are credible proposals, such as seriously addressing the VIP incentives scheme. However, the majority of the APPG’s radical list of changes, including a ban on advertising, seems unnecessary. The recommendations are an obvious ploy to get the public and industry critics on side, because passing all 30 proposals isn’t realistic. The bigger picture has been missed and restrictions will push players to the black market. Education and getting to the root of addiction would be more worthwhile measures than most of the proposals in question.

THE WEEK IN QUOTES

"The health and safety of guests and colleagues are our top priority. It is our belief that the casinos' reopening will not only contribute to strengthening the tourism industry, but also the recovery of the local economy."

Cyprus Casinos gaming operations vice president, Devi Kerr, discusses the reopening of casinos in Cyprus after a three-month closure

"We know addictions, and gambling problems specifically, can be aggravated by feelings of isolation and distress that have been so prevalent through lockdown. We want people to know we are here to help and ready to listen whenever they are ready to talk. It is great to have support services and helplines united in their desire to help people across the country, especially during uncertain times."

GamCare CEO Anna Hemmings' comments, with the problem gambling charity being one of several UK helplines to launch the #readytotalk campaign

BGC MEMBERS PLEDGE £100M TO PROBLEM GAMBLING SERVICES

In a week when the Gambling-Related Harm All Party Parliamentary Group (APPG) sharpened the focus on UK gambling, five Betting and Gaming Council (BGC) members have pledged to spend £100m (\$125.4m) to improve treatment services for problem gamblers.

Bet365, GVC Holdings, William Hill, and Flutter's Paddy Power Betfair and Sky Betting & Gaming confirmed they will provide the funds over the next four years to charity GambleAware.

BGC CEO Michael Dugher said: "The latest funding commitment is yet more evidence of the industry's determination to improve the quality and provision of treatment for problem gamblers – and of our members' eagerness to get on with it as quickly as possible."

Meanwhile, GVC CEO Kenny Alexander also took to a public stage to once again reiterate his stance that punitive regulation will not help problem gamblers.

Despite clear examples of industry failings, such as the recent ruling involving Playtech, Alexander says protecting customers is at the forefront of industry

thinking and "clearly the decent and moral thing to do".

Therefore, he urges regulators and governments to avoid "headline-grabbing blanket restrictions" which are "superficially attractive" and "hugely counterproductive".

Alexander wrote: "The proportion of UK customers betting with illegal gambling operations is currently among the lowest in the world, but the black market in this country still generates £1.4bn of turnover.

"We only need to look at other countries that have imposed onerous regulations, such as France and Australia, to see that they lead to the rise of substantial black markets.

"And problem gambling has been found to be up to 150% more prevalent among illegal operators."

GI Verdict: The timing of these releases has certainly helped the industry combat any accusations from the APPG. However, any donations are only ever the first step of a longer process. How will the funds be used and will they genuinely help problem gamblers? Let's hope this isn't just good PR with no substance.



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"With the crisis, you have to bear in mind what is important to the people is changing. This means that IR is well placed to be part of the conversation on economic recovery. People want to communicate more about how the money raised through taxes will be used, so transparency is evidently a key issue. This is even more true in 2020 than it was in 2019."

Carter Group founder Dominic Carter, speaking at ICE Asia Digital, on transparency being the key with the Japanese public, when it comes to plans for an Integrated Resort (IR) in the country

"Like all football fans we're delighted to see the return of the Premier League. Punters have whetted their appetite on the Bundesliga and other leagues which returned in the last few weeks, but I'd expect the vast majority of our Betway customers were waiting for more recognisable teams and more accessible live matches. We hope the action lives up to the billing."

Speaking to Gambling Insider, a Betway spokesman on the relief of the Premier League returning to action on 17 June, expecting a rise in customer activity with the operator

FANDUEL SIGNS PARTNERSHIP WITH DENVER BRONCOS

FanDuel and the Denver Broncos have announced a historic multi-year partnership in Colorado.

The operator becomes the official sports betting and daily fantasy partner of the Broncos, which is the first-ever sports betting partnership with an NFL team.

FanDuel CMO Mike Raffensperger said: "Colorado is home to a passionate sports fan base and independent spirit, and together with the Broncos, we're going to take the fan experience in Colorado to the next level.

"With the NFL season just around the corner, partnering with an innovative organisation like the Denver Broncos allows us to offer engaging fan experiences both inside and outside the stadium and access to unique betting promotions and content."

Denver Broncos CCO Mac Freeman said: "FanDuel has built a strong reputation as a premier gaming destination for sports fans.

"With FanDuel's successful launch into Colorado earlier in May, we believe Broncos fans will enjoy FanDuel's trusted mobile sports betting and daily fantasy platforms."

In May, FanDuel launched its sportsbook app in Colorado in partnership with Twin River Worldwide Holdings and Golden Gates Casino Black Hawk.

Colorado is the fifth state in which FanDuel has launched its online and mobile sportsbook.


The state's casinos opened this week after receiving approval from local Government and health officials. The properties have integrated a number of health and safety measures to ensure customer safety, including social distancing and mandatory mask wearing.


GI Verdict: Last year, we saw a flurry of US operators signing partnerships with sport teams and leagues as they looked to establish their brand among fans.


So far this year, this excitement has been quelled thanks to limitations imposed by the COVID-19 pandemic. However, as we see sport leagues get back up and running, we can expect a lot more of these partnerships as operators look to capitalise on the return of traditional sports betting in newly regulated states.

TAKING STOCK


SHARE PRICES COVER WEDNESDAY
10 JUNE TO WEDNESDAY 17 JUNE
(5PM BST)

DraftKings  6%
41.29 USD

Flutter Entertainment  -1%
10,760 GBp

William Hill  -9%
131.25 GBp

Caesars Entertainment  -4%
12.42 USD

MGM Resorts International  -6%
19.19 USD

HARD ROCK SEMINOLE ONE OF SEVERAL US CASINOS TO REOPEN IN PAST WEEK

A number of casinos have resumed operations over the past week in the US, as properties continue to reopen following initial closures due to the COVID-19 pandemic.

The outbreak caused all 989 commercial and tribal casino properties in the US to shut from mid-March, with currently 681 reopen at press time, according to the American Gaming Association.

The Seminole Hard Rock Hotel & Casino, Hollywood, Florida, reopened its doors on 12 June, having been closed since 20 March.

The opening brought 3,200 employees back to work with safety measures in place, such as alternating slot machines and a 50% reduction in guest capacity.

Rocky Gap Casino Resort, Flintstone, was the first of Maryland's six casinos to announce a reopening date, with its casino, hotel, restaurants and golf course resuming operations at 5pm 19 June.

The news followed Governor Larry Hogan's lifting of several restrictions, phase two of the state's reopening plans. MGM Resorts International plans to

reopen its Northfield Park Ohio facility at noon on 20 June, with a hosted, invitation-only event to take place ahead of the public reopening.

Under Ohio Lottery Commission guidelines, a 50% capacity restriction will be in operation, with VLT machines to have social distancing measures between them.

Westgate Las Vegas Resort & Casino resumed operations on 18 June, also under an enhanced health and safety plan.

The Westgate Superbook sportsbook reopened with upgraded screens, while hotel reservations are available.

Several casinos reopened in Canada, following stage two of Alberta's relaunch strategy, with Century Casinos successfully reopening its five casinos in the province.

GI Verdict: With more than two thirds of US casinos reopened, we should expect to see operators begin to recoup some of the losses incurred during the pandemic, especially with pent-up demand. However, the new safety and capacity measures will take some getting used to, until the 'new normal' becomes second nature.

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LOUISIANA REVENUE ENCOURAGES

The first revenue reports from states that reopened casinos in May are encouraging, as Louisiana casinos outperformed limited capacities.

Louisiana managed to achieve average daily revenue of 77.5% of last May on a same-store basis on just 25% capacity.

However, full-month revenues in Louisiana were down 65.37% as casinos didn't reopen until May 18 and Diamond Jacks is permanently shuttered.

LOUISIANA

SHREVEPORT/BOSSIER CITY	REVENUE (M)	FULL MONTH % CHANGE	AVERAGE DAILY % CHANGE
Margaritaville (PENN)	\$7.751	- 43.83	+24.38
Louisiana Downs (CZR)	\$2.049	- 50.22	+10.22
Horseshoe (CZR)	\$6.436	- 58.76	- 8.67
Boomtown (PENN)	\$1.256	- 75.50	-45.76
El Dorado (ERI)	\$2.268	- 75.84	- 46.50
Sam's Town (BYD)	\$0.622	- 90.02	- 77.91
Diamondjacks (Legends)*	\$0.000	-100.00	-100.00
SP/BC Total	\$20.383	-64.53	N/A

LAKE CHARLES/VINTON

SHREVEPORT/BOSSIER CITY	REVENUE (M)	FULL MONTH % CHANGE	AVERAGE DAILY % CHANGE
Golden Nugget	\$15.396	- 45.15	+21.46
Delta Downs (BYD)	\$6.013	- 62.23	-16.36
L'Auberge (PENN)	\$9.171	- 64.06	- 20.42
Isle of Capri (ERI)	\$2.939	- 64.44	-21.26
LC/Vinton Total	\$33.519	- 56.90	N/A

NEW ORLEANS

SHREVEPORT/BOSSIER CITY	REVENUE (M)	FULL MONTH % CHANGE	AVERAGE DAILY % CHANGE
Boomtown (PENN)	\$3.940	- 61.92	- 15.68
Treasure Chest (BYD)	\$2.423	- 75.50	- 45.75
Harrah's (CZR)	\$0.000	-100.00	-100.00
Fair Grounds (CHDN)	\$0.000	-100.00	-100.00
NOLA Total	\$6.363 =	- 87.37	N/A

BATON ROUGE/CENTRAL LA

SHREVEPORT/BOSSIER CITY	REVENUE (M)	FULL MONTH % CHANGE	AVERAGE DAILY % CHANGE
Hollywood (GLPI)	\$1.954	- 58.49	- 8.09
L'Auberge (PENN)	\$4.879	- 63.10	-18.28
Evangeline Downs (BYD)	\$2.252	-70.83	-35.40
Belle (ERI)	\$0.618	-76.50	-47.96
BR/C.LA Total	\$9.703	- 65.69	N/A

MULTIPLE PROPERTY

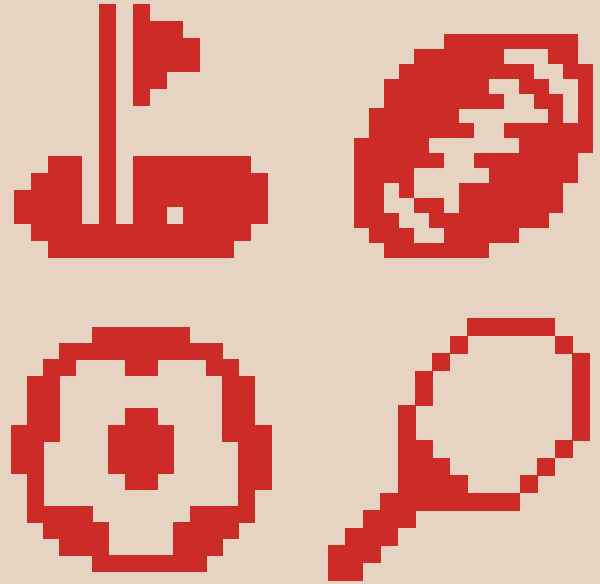
SHREVEPORT/BOSSIER CITY	REVENUE (M)	% CHANGE
Penn National	\$26.998	- 60.30
Eldorado	\$5.825	- 71.28
Boyd	\$11.734	- 73.24
Caesars	\$8.486	- 81.60

ELSEWHERE, LA

SHREVEPORT/BOSSIER CITY	REVENUE (M)	FULL MONTH % CHANGE	AVERAGE DAILY % CHANGE
Amelia Belle (BYD)	\$0.424	- 89.60	- 76.98
Routes, Truck Stops, OTBs	\$23.875	- 55.97	-15.20
State total	\$94.266	- 65.37	N/A
* Diamond Jacks has permanently closed			

VIRTUALS VS ESPORTS SPECIAL

- With both verticals thriving online in recent months, which of them should operators prioritise?
- **ESPORTS:** Ebbe Groes, EveryMatrix
- **ESPORTS:** Peter Ivanov, UltraPlay
- **BEST OF BOTH:** Simon Westbury, Digitain
- **VIRTUALS:** Martin Wachter, Golden Race
- **VIRTUALS:** Freddie Longe, IMG ARENA
- **VIRTUALS:** Araksi Sargsyan, DS Virtual Gaming


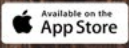


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ESPORTS

EBBE GROES
CEO, *EveryMatrix*

Which vertical is the most promising for operators, virtual sports or esports?



The debate about whether esports or virtual sports is more promising for operators will differ from operators who are land-based and those who are not. We have both types of operators so we see two different reactions to the COVID-19 pandemic.

Those with betting shops are already using virtual sports terminals, so it has a large role to play for them. When COVID-19 has passed, people will look to play virtuals online.

But the data is dramatically different to those who don't have betting shops. For those companies, virtual sports has done very little and is not as effective as esports. Virtual sports does have a role to play but you might have a situation where virtual sports becomes a dying breed; because what I could be doing in my betting shops is broadcasting esports. Why would I be watching RNG football, rather than two skilled people playing a high-quality game? I know what I would prefer; the FIFA graphics are better, the players are better and it's a real game.

A big surprise to us when the pandemic started was the interest esports had and that it was completely different than we thought. We started pushing sports titles such as FIFA and NBA2K in mid-March, which is the single biggest thing for the rise in popularity. Then by the end of March, we had as many FIFA games live in a week as we had football games in the week pre-COVID.

Esports can stand alone as an offering. People tend to bet on sports foreign to them. While players like to bet on the Premier League because they watch a lot of games, what about the rest of the time? They bet on lower leagues in countries you have no idea about, or fast-paced sports like table tennis. But it's very unlikely people would spend a Saturday afternoon watching table tennis and having beers with their friends while rejoicing on table tennis, but they're betting on it.

It shows a willingness to bet on things that are entertaining, easy to understand and fast-paced. Esports has all of these

qualities but it was just not utilised before. It took COVID-19 for sportsbook operators and suppliers to realise this and now we have. What has learned cannot be unlearned so this will be a steady part of the offering going forward, and we have only seen the start of it.

We will make this product even more advanced. It's not like virtual sports, which is done from machines. Esports is actual players and I can see a situation where I will be a fan of players and follow them.

It's been super interesting, educating and I think in the long term it will be a lift to sportsbooks because they will have quality content to fill in when the premium content – the real football, NBA games – are not available and this will be as good a substitute as lower-league offerings.

I am pretty confident new players will stay with esports. While people are starting to bet on football again several weeks into the return of live sports, esports betting hasn't dropped. We had a period where esports was growing weekly but now that's more stabilised.

If I was a virtual sports specialist, I might have to consider pivoting to esports. How can the experience I'm presenting match what FIFA and NBA2K are doing? It's another level, with no disrespect to what the virtual sports guys are doing, as they've done very well and it's a very good product. But it's a different type of experience from the one you get watching an esports title where it feels so much more like a real game.

With virtuals, I don't know the players and clubs and what I'm betting on. With esports, players such as Lionel Messi have their own mimics. As a fan of these sports, it's a great experience over virtuals. I think esports is the clear winner, and I think one fine day you will see esports broadcast in the betting shops and virtuals left out.

ESPORTS

PETER IVANOV

Head of esports and sports trading, UltraPlay



UltraPlay has been providing betting solutions to the gaming industry since its foundation in 2010. The company specialises in sports and esports, live betting, white-label, online casino and blockchain technology. UltraPlay first launched its hybrid esports live betting model, ODDS.GG, in 2018. As head of esports and sports trading at UltraPlay, Peter Ivanov is therefore well placed to provide insight into the current esports market and its post-COVID potential.

What makes esports stand out against other verticals?

First of all, esports is an open sport, which means that the disciplines it consists of will be growing forever with the release of new games. By comparison, can you name a new sport vertical in recent years?

Another important advantage is that esports can be played both online and offline, giving the chance to compete against the whole world from your own home and at the same time be watched by millions all over the world.

Why should operators choose esports instead of competing verticals like virtuals?

The only similarity between esports and virtuals is that they are both based on virtual reality rather than the real world, but this is as far as it goes. Esports is a

mixture of human interaction in the virtual world and as such is much closer to physical sports than virtuals.

The challenge to predict how a human being will cope with pressure and how they will perform brings much more adrenaline rather than watching AI-based games. It's the same as comparing blackjack and a slot machine; the sense of evaluating skill and the existence of luck in the equation is much more attractive for players compared to any RNG you can think of.

Are there any verticals esports can work particularly well with, like sports betting and perhaps virtuals itself?

Esports goes along with virtuals in a way that they are both being played in a virtual world. The esports crowd is much more

familiar with that rather than traditional sports, for example, where most esports fans have no interest to start with.

On the other hand, sports bettors turned out to have enjoyed betting on esports from what we have seen during the COVID-19 outbreak. By gaining knowledge on particular games, there comes the confidence and excitement to bet on esports, something they were missing for a few months with almost no sports to bet on. We believe after sports events fully return, the cross sell between sports and esports will remain strong and productive for both players and operators.

How successful do you think esports will be once the coronavirus pandemic is over; can it maintain its popularity?

Esports popularity will continue to grow. It has been growing steadily for the past five to six years and the pandemic was the final push esports needed to become mainstream. It's what we also experienced as a B2B esports betting provider.

Not only have we drastically enhanced our offering, but also the demand of our esports product ODDS.GG highly increased in the last few months. I believe people who heard of esports for the first time during the pandemic will be more involved in it. Having the chance to add new titles and grow the whole ecosystem of esports will guarantee its success in the future.

“The challenge to predict how a human being will cope with pressure and how they will perform brings much more adrenaline rather than watching AI-based games. It's the same as comparing blackjack and a slot machine, the sense of evaluating skill and the existence of luck in the equation is much more attractive for players compared to any RNG you can think of.”

BEST OF BOTH WORLDS

SIMON WESTBURY Head of sales, Digitain



Why should operators choose esports or virtuals instead of competing verticals?

Quick answer – they shouldn't. Operators must ensure they have a competitive offering across all the verticals required for their target markets.

It's reasonable to expect the sportsbook business mix to return to similar levels pre-COVID 19 – with traditional sports, such as football, dominating. But the future is uncertain, so it makes sense for operators to continue to develop their product portfolios to provide some contingency as well as to engage new audiences.

Virtual sports have proven to be complementary to the traditional sportsbook content whereas esports can bring a new customer demographic.

What demographics do esports and virtuals stereotypically appeal to?

Generally male sports bettors prefer the scheduled virtual sports such as horseracing, although this can vary massively by market or region. Inspired developed a football virtual product aimed at female customers, which was an interesting innovation. On demand virtual sports are popular, as a crossover product, with some of our partners' casino customers.

Esports customers tend to be from a younger demographic – around 92% between 18 and 30, with an average of 23. They also tend to be single, with no children and tend not to be that interested in betting on traditional sports. In terms of where they bet – mobile betting dominates at around 72%.

How would you increase this appeal towards other demographics?

For virtuals, I would continue to develop the product, look into different sports, different variants within the sports such as tournaments: the World Cup, Africa Cup of Nations and the Champions League.

Continued improvement of the products is also important – we have seen in-play betting introduced, which is excellent. Use of live action highlights may help customers engage emotionally with the products. The realism of these virtual sports does improve customer engagement and revenue, there's no doubt. Realism can only improve as better algorithms and more creative graphics are introduced going forward.

During a pandemic this could be an important question. Post-pandemic, which we all hope will be soon, perhaps less so.

Education about esports is probably required if we are to promote to an older demographic. But, in my view, it might be easier to sell something more familiar. To me, esports has the potential to bring a new customer segment into the sportsbook and I would focus my marketing spend on recruitment rather than cross sell.

How successful do you think esports and virtuals will be once the coronavirus pandemic is over; can they maintain their popularity?

Virtuals were popular before and the pandemic has certainly made more customers aware of them, and that has been reflected in increased turnover. I would expect revenue to drop post-pandemic, but to levels above those seen last year.

In terms of development, there is continual improvement being done to improve the experience and to appeal to a wider audience.

Esports have been given more focus and support due to the pandemic but I would expect some short-term drop off in revenues when we're back to normal. Long-term, I would expect the product to grow, though, via a new demographic being recruited.

What makes esports and virtuals stand out against other verticals?

Both products have not been impacted by the pandemic, like most of the other sports have been, at least up to recently.

Virtuals sports have been around a long time, in fact the first virtual horseracing product was developed as a direct result of the foot and mouth outbreak in the UK in 2001. As we've seen recently innovation can be driven by adversity.

Virtual sports stand out versus other sports events due to their frequency and availability I'd say. They're also familiar to customers, with similar betting markets to traditional sports. They are a source of significant revenue for sportsbooks because of these factors.

In terms of esports, because of the subject matter we've seen a new demographic to gaming that wouldn't normally be attracted to traditional betting and gaming verticals. Having said that, in terms of revenue we've seen more betting action on those esports that are closest to traditional betting markets – eNBA, for example.

VIRTUALS

MARTIN WACHTER

Golden Race CEO

Which vertical is the most promising for operators, virtual sports or esports?



include real team moves from professional players, real sports camera angles, incredible visual and sound FX, voice-over from commentators and so on to create hyper-realistic matches and races that add a lot to the virtual betting experience.

Equally, there is a natural migration from offline to online in every business that is also showing up in ours. This helps our virtual sports to be even more available, wherever players are and whenever they want to bet.

It is true that the situation for the industry at the beginning of the outbreak was very worrying: an almost total void of real sports and a lockdown for land-based businesses in many countries did not seem a good plan for spring.

Fortunately, virtual sports have helped the betting industry survive during these months.

Online businesses also grew a lot, and esports too, as they could continue working without being affected by the closure of betting shops.

It is possible for esports to be the next wave, but it's a much more recent vertical. Virtual sports were here before and will be here after this situation ends. And they will become even bigger.

The player segment that registered the biggest average growth during this period were virtual sports players, followed by poker players.

So it seems pretty clear virtual sports have provided the best possibility to grow in this situation.

At Golden Race, in particular, we observed a 74% growth on the online tickets selling during March, and April numbers were even higher with a 110% increase.

Even considering the drops from the absence of retail, the total amount of Golden Race retail and online tickets in March was 21% more than in the month before.

So, definitely, everyone should keep an eye (or both of them) on virtual sports in the months and years to come.

By the time you see this, we will have been in lockdown for more or less three months, during which we have seen our betting industry transform and have some drops in certain verticals, with sports betting being the one that suffered the most.

But it also has been an opportunity to discover the potential and the capacity other products have to attract and engage gamblers.

At this point, it is no longer a secret that the performance of virtual sports during the COVID-19 pandemic has been amazing.

But I know some people may be thinking: 'Is this rise going to last?'

To answer this question, we need to remember that the success of virtual sports is not something new. The performance of this vertical has been really good and steadily growing during recent years.

In my experience, when I started with virtual sports in Germany in 2004, I remember very well that the betting shops began to offer virtual sports events to fill downtime in-between real racing and other live events, seeing already that it was a very good opportunity to cover some of their fixed costs.

Because basing their business only on real sportsbooks was a risk, virtual sports started to offer a safer way to keep their shops open and make better use of their collective resources.

In my opinion, backed by our clients' experience and the numbers we have at Golden Race, virtual sports is a very important source of revenue, and the closest option to a real sportsbook. This is also in addition to the warranty of security and transparency their RNG results give to gamblers.

We have some case studies, like for example Italy, one of the most regulated markets for virtual sports; here Golden Race's virtual sports are doing more than 6% of the whole betting volume of the retail business.

I think there are still a lot of possibilities for growth in this area. Technology keeps revolutionising our world, enabling the development of more realistic virtual sports every year, with innovative options that captivate and engage customers.

As long as technology keeps evolving, virtual sports will have news. And I don't see the evolution of technology coming to an end.

For example, we now use extremely advanced motion capture resources and

VIRTUALS

FREDDIE LONGE

EVP and managing director for IMG ARENA



Instant Football is our most popular game across the virtual suite. Since it launched in January 2019, it has been growing at an average of 23% per month. That was already increasing sharply at the start of 2020 and during the last few months, our products are typically showing strong treble-figure percentage growth.

Why should operators choose virtuals instead of competing verticals like esports?

We believe that operators should have a full and rounded portfolio. Our focus is on evolving and inspiring how fans engage with sport either via our official virtual sports products or our event centres.

Are there any verticals virtuals can work particularly well with, like sports betting and perhaps esports itself?

Virtuals are an essential part of a portfolio. IMG ARENA and Leap have a shared vision of incorporating sport rightsholder's IP into their product suite to add further fuel to this exciting part of the sports betting and gaming ecosystem as a whole.

The launch of the world's first official virtual tennis betting product with ATP Media and with a specific focus on the ATP 1000 Series was a very natural evolution for virtual sports. Through a broad range of licensed assets, we have created an innovative and truly authentic fan-first experience.

How successful do you think virtual sports will be once the coronavirus pandemic is over?

Virtual sports were important before the outbreak of COVID 19 and will be even more so in the future. When IMG ARENA invested in Leap two years ago, we firmly believed in the power of virtuals. The vision was to create official products and unlock new revenue streams and forms of fan engagement for our federation clients and sportsbook operators. This situation has enhanced awareness of what they can offer.

IMG ARENA specialises in bringing sport and the sports betting industry closer together through its federation services and sports content. Launched in 2012, the group's focus has always been on fan-first engagement by delivering content and product innovations that fuel the emotion and excitement of sport. IMG ARENA believes that this can only be achieved by working with rightsholders to deliver official products. The company sits within the global IMG umbrella, a group with a focus on sports, events, media and fashion operating in over 30 countries.

IMG ARENA's virtual sports portfolio uses 3D motion technology from Leap Gaming to capture and recreate popular sports. Leap gaming's graphic engine was purposely created to support virtual 3D applications and games. It enables scalability, fast integrations, upgrades, customisation and authentic real-time rendering. The supplier's unique virtual sports portfolio includes horse racing, tennis, trotting, speedway, cycling, greyhound racing and football.

Last month, we extended our reach in Europe after signing a partnership with Golden Park for the full launch of its virtuals offering in Spain. The supplier's portfolio has been integrated via Tecnalis' Alira gaming platform for its use in Spain

and Latam and will be launched via the group's online gaming brand, GoldenPark.es. In other recent news, IMG ARENA announced it licensed official assets to create a virtual sports betting game that replicated some of NASCAR's most iconic tracks, including Daytona International Speedway.

EVP and managing director for IMG ARENA, Freddie Longe, spoke with *Gambling Insider* about the advantages of virtuals in comparison with other verticals.

Longe led the creation of IMG's betting and gaming business, which has evolved into IMG ARENA. As managing director, he's responsible for the overall business strategy and delivery of the supplier's official, multi-sport content and solutions. He joined IMG in 2006, having previously worked at Haymarket Publishing Group.

What makes virtuals stand out against other verticals?

Virtual Sports have been on an upward trajectory in recent years, but this growth has accelerated significantly during COVID-19. There has been significant expansion in all directions including breadth of product, consumer engagement levels and distribution deals with new customers.

VIRTUALS

ARAKSI SARGSYAN

Head of business development, DS Virtual Gaming



risks. For example, the presence of arbitrage betting or middles in our vertical is simply unthinkable, but unlike casinos, the RNG here is straightly connected with statistics.

These similarities offer players some familiar characteristics, but the differences make our product a completely new, exciting and complementary form of entertainment.

Why should operators choose virtuals instead of competing verticals like esports?

I would not say operators should opt for virtual games instead of esports, or virtual games instead of casino or sports betting.

Each is a separate product and I wouldn't compare them with each other. They have their own characteristics and, therefore, audience.

In some markets, esports are extremely popular, especially among players under 30-35 who are fond of Dota 2, Counter Strike or Warcraft 3.

However, it's worth noting esports requires some knowledge about the discipline, about the players, while virtual games don't. In addition, betting on esports is a rare occurrence in betting shops, while virtual games are in full competition with sports betting.

Are there any verticals virtuals can work particularly well with, like sports betting or perhaps esports itself?

Sports betting is for sure the closest vertical to virtual games and the main reason is that the latter was created as the alternative product for sports. But unlike sports betting, you can bet on virtual games 24/7 and the calculation of the bets takes place immediately after transmission.

These games are fast, simple and don't require any additional knowledge. Besides, virtual games are based on statistics from previous rounds and races.

Most bettors on real sports bet on virtual games, too, especially in betting shops, where virtuals go shoulder to shoulder with sports betting.

How successful do you think virtual sports will be once the coronavirus pandemic is over?

Frankly speaking, we are waiting for the return of our usual lives with the same impatience as the operators and providers of sportsbook.

It's no secret that betting shops are considered the most fruitful soil for the blooming of virtual games, where more than half of bets belong to our product.

I will not hide the fact that the number of online bets on virtuals has doubled, but due to the pandemic, the total number of bets has decreased because of the lack of movement in the land-based operations.

So we're more than sure that after the pandemic we'll come back stronger and with new titles.

What makes virtuals stand out against other verticals?

Virtual games occupy a special place in the host of verticals within the online gaming industry. They are the perfect match between sportsbook and casino.

We have some characteristics of sportsbook: such as common origin, similarity of the content offered, along with the deployment of odds and statistics. There are some shared features with casino too, namely adaptation of some original classic casino games to virtual reality and the presence of a random number generator.

However, unlike sports betting, virtual sport does not carry so many

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