



WEEK 26

FRIDAY 26 JUN 2020

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ANALYSIS: WAS RED TIGER ACQUISITION THE CATALYST FOR EVOLUTION GAMING'S NETENT INTEREST?

THIS WEEK

- **Gambling Commission sets out new UK VIP measures**
- **Lightning Box CEO discusses digitalisation within retail**
- **BGC condemns continued casino closures**
- **Novomatic up and running across Europe**

GUEST INTERVIEW:

- **Tomer Baumel, CEO, Solitics**



Another day, another mega merger for the gambling industry. Sector consolidation is showing no signs of slowing down and as some have predicted, the coronavirus pandemic may be hastening the need for gaming firms to come together.

Despite recent M&A (either completed or ongoing) involving Eldorado Resorts and Caesars Entertainment, Flutter Entertainment and The Stars



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THIS WEEK IN NUMBERS

50%

The drop in gambling revenue for the majority of gambling companies as a result of the pandemic, according to a UK Government survey



€26.1m



Net profit generated by casino operator Société des Bains de Mer for the 2019/2020 financial year (\$29.3m)

7 July

Date for the reopening of the Royal and Harbourside Resort on Paradise Island in the Bahamas



1,000

Customers affected by payment processing difficulties in the Swiss online casino market

\$230m

Amount raised in new equity by SkyCity Entertainment group, in an effort to recover from the COVID-19 pandemic



Group, and DraftKings and SBTech, there's still an element of enormity to the latest deal on the cards: Evolution Gaming's potential takeover of NetEnt.

Not only is the fee involved sizeable – SEK 19.6bn (\$2.1bn) – it's a stark sign of how far Evolution Gaming has come: a company founded after NetEnt, one of the pioneers of online casino, is now ready to call the shots.

For NetEnt itself, it's a sign the supplier has done something right in recent years. Ultimately, that may boil down to one particular move – an acquisition of its own.

Indeed, in September, NetEnt agreed a deal to purchase Red Tiger Gaming. Prior to that, the provider's share price had been on the wane and NetEnt had become used to posting year-on-year falls in its quarterly financials.

But after its Red Tiger acquisition, a financial analyst told *Gambling Insider*: "As you can see from the share price, it's been quite well received. It's up 30% in one week. It was on a five-year low before that. It's come from a quite depressed share price level."

Imagine if NetEnt had not pursued its interest in the brand – could this moment have come? And would Evolution instead now be faced with a choice between acquiring NetEnt and Red Tiger alone?

THE POWER OF LIVE

Evolution's recent soaring progress had already demonstrated, unwaveringly, the power of live casino. But this move is the ultimate statement of intent.

Given NetEnt's synergies with Red Tiger, and both brands' varying distribution channels and market access, proves that a deal makes sense.

Pioneering live casino, Evolution will now have a strong foothold in the slots market and, in terms of online casino, will rival any modern-day supplier already – let alone in a few years, when its current growth rate leaves limitless possibilities.

It's perhaps fair to say a slot supplier would no longer have the same leverage in terms of buying a live casino supplier in the current market were the roles reversed – certainly not the foremost market leader of the vertical.

IT TAKES ONE TO KNOW ONE

But it's not just about a live casino company representing its vertical. Here we have a fast-growing company identifying another fast-growing company.

Before its takeover by NetEnt, Red Tiger was speculated to have been growing at a rate of 50%. NetEnt has duly benefited from this growth but so too now will Evolution, not least when it comes to its quarterly reports once any potential merger is completed.

It'll be interesting to see what happens to Therese Hillman, NetEnt CEO, in any newly formed organisation. The same, too, applies for Gavin Hamilton, who has already faced the exact same situation, becoming NetEnt COO as well as Red Tiger CEO.

One may joke Hamilton could be getting bored of M&A but in reality, nothing is probably further from the truth.

Red Tiger being involved in two high-profile industry mergers within such a short space of time shows just how far it has come, just as Evolution's takeover offer shows how far CEO Martin Carlesund's firm has progressed.

But NetEnt's recent acquisition of its own has kept the company relevant and now made it central to this new equation. The supplier's share price jumped SEK 56.00 to SEK 77.00 as news broke.

And it wouldn't be a stretch to say NetEnt's acquisition of Red Tiger may well have been the catalyst for Evolution's interest.

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Casinos L'Autorité nationale des Jeux (ANJ) will oversee after taking over as France's new gambling regulator

\$32.4bn



Total funds confiscated by China's Ministry of Public Security since launching a campaign against cross-border gambling in February

Q1 2022

Date to when the opening of Emerald Bay integrated resort in the Philippines has been pushed back



GAMBLING COMMISSION SETS OUT NEW VIP MEASURES IN INDUSTRY CHALLENGES UPDATE

The Gambling Commission has set out new measures to improve the way VIP schemes are offered by operators.

There has been plenty of criticism of high-value customer schemes, with the Gambling-Related Harm All Party Parliamentary Group (APPG) calling for a ban on the practice last week.

However, in the Gambling Commission's update on the progress of its sector challenge initiative, it said the incentives scheme does have a place in the industry.

The initiative, which followed collaborative work with different industry experts, set out measures to make faster progress in raising industry standards.

Chaired by GVC and the Betting and Gaming Council (BGC), actions to make sure VIPs are offered in a responsible way include the undertaking of regular full customer assessments before offering any incentives or rewards. A senior board member will be held accountable for how the schemes work and they will be conducted with consistent and transparent practice to prevent gambling harms.

The Commission believes the measures could address the VIP challenge, if implemented quickly to the Licence Code and Conditions of Practice (LCCP).

Once in place, the Commission will measure their effectiveness through assessments and monitoring systems. The Commission is now seeking views on the proposed VIP changes, opening a consultation process.

Gambling Commission CEO Neil McArthur said: "In these unprecedented times caused by the impact of COVID-19, we have pushed the industry to make necessary changes, to keep consumers safe from harm and we have seen that changes can be made speedily."

GI Verdict: Out of all the criticisms aimed at operators, VIP schemes is an area most should agree where change is needed. However, calls for schemes being banned seem premature.

By putting jobs on the line and ensuring stringent customer checks are made, we should hopefully see the tightening up of VIP schemes in the future. A ban isn't needed, but genuine change is.



THE WEEK IN QUOTES

“The biggest changes will be in markets that are heavily dependent on land-based. Now they’ll see that, if they would have had online, they would actually have some revenue. New Jersey, for example, is doing a lot better than Nevada. That is the big change. The landscape will be a little bit different going forward. In total, 90% of revenue in casino is still land-based and 10% is online; 2-3% is live. So really the online evolution has just started. In the future to come, I think 50-70% of casino will be online.”

Evolution Gaming CEO Martin Carlesund explains how the gambling industry might change post COVID-19

LIGHTNING BOX CEO: WE COULD SEE 10 YEARS’ WORTH OF DIGITALISATION IN THE NEXT 12 MONTHS

In the must-read cover feature of *Gambling Insider’s* upcoming July/August magazine, we examine the industry’s new, post-pandemic landscape. Below is an extract featuring Lightning Box Games CEO Peter Causley:

Perhaps the most pertinent way of assessing gaming’s new landscape is not by viewing online and land-based separately, but rather evaluating acceleration in the convergence of the two.

While the land-based sector was at a standstill, the state of New Jersey best exemplified the divide, with the Garden State’s main headline being a record fall in overall revenue for April, and online revenue more than doubling to a record \$80m.

Faced with a choice between online revenue and none at all, therefore, land-based properties can no longer afford to take a judgemental view. This is

especially true of the period ahead where, as Causley has pointed out, casinos can expect reduced handle.

In fact, the Lightning Box CEO believes the next 12 months could see staggering levels of progress in this area. “We had already seen great convergence of slot design for land-based and online a few years ago,” he explains.

“Now we will definitely see those largely retail-operating businesses accelerating towards getting into digital or growing their existing digital revenues, even if only to balance up their risk profiles.

“We could see growth towards this outcome in the next 12 months that we would have previously expected to take 10 years. This of course will just mirror what we see in the general business community.”

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"Like the rest of the world, we have had to experiment to weather the storm. The pandemic has caused self-purification. It is an opportunity for all to identify weak points and understand where they fall behind and what needs improvement. We are now even stronger as we managed to adapt on time to respond to the new reality."

Vigen Badalyan, CEO of BetConstruct, speaking to Gambling Insider about the impact of the COVID-19 pandemic on the company's operations

"It was a great day for punters, though not such a good one for the bookies. However, it's brilliant to see that despite bookmakers not making a profit in the race, they will still make a large donation of a quarter of a million pounds to four fantastic charities, who undoubtedly deserve every penny. I'd like to thank those BGC members for this wonderful gesture."

Michael Dugher, Betting and Gaming Council CEO, discusses the Britannia Stakes Race at Royal Ascot, which saw the group's members donate £250,000 to charity (\$310,675)

BETTING AND GAMING COUNCIL EXPRESSES EXASPERATION WITH CONTINUED CASINO CLOSURES

Betting and Gaming Council (BGC) CEO Michael Dugher has furthered his outspoken lobbying during the coronavirus pandemic, following the news casinos will not reopen in the UK on 4 July.

The BGC began operations last November and has since unified disparate voices within the gaming industry to speak as one.

Its latest call comes following prime minister Boris Johnson's announcement hospitality and leisure establishments can resume business on 4 July as lockdown restrictions ease.

But UK casinos have not been included in the list of properties allowed to resume.

Dugher said: "We welcome the fact the lockdown is being eased further. The whole country has made sacrifices over the past few months to combat the coronavirus and it's good news the Government is determined to get the economy moving again by reopening the likes of pubs, restaurants, cinemas, amusement arcades and bingo halls, while protecting public health.

"But it is inconsistent and frankly nonsensical that casinos are being

forced to remain closed, when other parts of the hospitality and leisure industry are opening up again.

"Our casino members make a huge contribution to the economy, sustaining thousands of jobs and providing large amounts of much-needed tax revenue to the Treasury."

GI Verdict: It would be difficult to argue with Dugher here. The UK Government's decision to exclude casinos from the new reopening date does seem "nonsensical", particularly when it has decided to reopen properties that should pose a greater risk to public safety, like pubs.

In fact, this feels reminiscent of the Government's decision to exclude the gambling industry from its plans for a 12-month business rate holiday at the beginning of the pandemic – both in its lack of reason and potential negative impact on the industry.

This decision was condemned by the BGC and ultimately overturned after the industry group published an open letter to the Chancellor asking him to reconsider.



TAKING STOCK

SHARE PRICES COVER THURSDAY
18 JUNE TO THURSDAY 25 JUNE
(10AM BST)

Evolution Gaming

573.20 SEK



-3%

NetEnt

73.90 SEK



38%

IGT

9.07 USD



-2%

Penn National

33.38 USD



5%

Boyd Gaming

21.21 USD



-2%

NOVOMATIC RESUMES OPERATIONS AT SEVERAL LAND-BASED VENUES

Novomatic Group has resumed operations in several European markets under strict health and safety measures, after the coronavirus pandemic forced a land-based shutdown in March.

Operations at many of the group's arcades and casinos in Germany, Italy, Spain and other Balkan regions have resumed.

The supplier's resumption in different markets is aligned with various national government reopening roadmaps.

The health and safety measures include providing personal protective equipment to guests, rigorous disinfection protocols for gaming equipment, social distancing, Plexiglas panels at desk positions and floor traffic management to limit interaction.

Preparations to provide safeguarding for guests and staff, and a safe gaming environment, have also been implemented at the group's B2C operator Luxury Leisure Talarius Admiral arcades in the UK.

UK prime minister Boris Johnson announced on 23 June arcades are one of a number of businesses to reopen from 4 July, with social distancing reduced to one metre.

Novomatic board member Ryszard Presch said: "Safeguarding our guests and employees within our gaming operations is the number one priority in the organisation right now.

"Whereas our international brands and the reopening schedules in countries may differ, one thing remains the same for all of them: We will ensure our customers not only are safe but also feel welcome."

In February, Harald Neumann resigned as Novomatic CEO due to family reasons, with Presch and Johannes Gratzl taking over board duties.

GI Verdict: After three months of business being virtually halted, operations are gradually beginning to restart in Europe, with health and safety a primary focus for retail properties.

Adhering to the various government reopening roadmaps will undoubtedly prove a challenge, but it's something that must be done.

As the road to recovery for Novomatic begins, the supplier can act as a torchbearer for similar industry firms.

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SPEAKERS

30
EXHIBITORS

PA ONLINE GAMING BOOMS

While Pennsylvania gaming revenue may have declined nearly 80% in May, online gaming hit another record \$55.83m.

Ninety percent of total gaming revenue came from online gaming, which grew 29.65% vs. April.

Of course, that paled in comparison to last year when casinos were open and sports were in season. Fantasy sports revenue fell 82.32% to \$318,840. DraftKings dominated revenue share with 72.51% while FanDuel accounted for 27.03%.

TOTAL PA GAMING

MARKET/PROPERTY	REVENUE	CHANGE (%)
Valley Forge (BYD)	\$10.90m	-14.49
Mount Airy	\$11.306m	-29.23
Rivers Philadelphia (Rush Street)	\$18.112m	-38.47
Hollywood (PENN)	\$8.992m	-58.51
Parx (Greenwood)	\$7.183m	-86.65
Mohegan	\$2.552m	-87.75
The Meadows (PENN)	\$1.309m	-93.94
Presque Isle (CHDN)	\$144,217	-98.76
Rivers (Rush Street)	\$322,077	-99.03
Harrah's Philadelphia (CZR)	\$1,545	-99.99
PA Gaming Total	\$60.826m	-78.95

ONLINE GAMING

MARKET/PROPERTY	REVENUE	CHANGE (%)
Rivers Philadelphia (Rush Street)	\$17.584m	Rush St
Mount Airy	\$10.889m	Kindred/FLTR
Hollywood (PENN)	\$8.992m	PENN/FLTR
Valley Forge (BYD)	\$8.029m	BYD/FLTR
Parx (Greenwood)	\$6.874m	Greenwood/GAN
Mohegan	\$2.402m	Kindred
Caesars Interactive	\$931,315	N/A
Presque Isle (CHDN)	\$137,001	CHDN
Online Gaming Total	\$55.839m	N/A

SPORTS BETTING

MARKET/PROPERTY	REVENUE	% CHANGE	PARTNERS
Valley Forge (BYD)	\$2.874m	+1,093.62	BYD/FLTR
Rivers Philadelphia (Rush Street)	\$528,072	-25.82	Rush St/Kambi
Rivers (Rush Street)	\$322,077	-49.76	Rush St/Kambi
Parx (Greenwood)	\$309,473	-51.64	Greenwood/Kambi
Harrah's (CZR)	\$1,545	-98.88	CZR/SGMS
Presque Isle (CHDN)	\$7,216	N/A	CHDN
Mount Airy	\$416,825	N/A	FLTR
Mohegan Sun Pocono	\$150,341	N/A	Kindred
The Meadows (PENN)	\$1.309m	N/A	DKNG
Sports betting Total	\$5.919m	+106.81	N/A

MULTIPLE PROPERTIES

MARKET/PROPERTY	REVENUE	CHANGE (%)
Rush Street	\$18.435m	-70.54
Penn National	\$10.302m	-76.19
Greenwood	\$7.183m	-86.72
Churchill Downs	\$0.144m	-99.00

GUEST INTERVIEW



TOMER BAUMEL
CEO AND FOUNDER, SOLITICS

Tomer Baumel, Solitics CEO and founder discusses the actions online gaming operators should take to be fully prepared for the post-pandemic era

How has the coronavirus pandemic affected the online gaming industry?

COVID-19 has had an immense impact on all industries across the world, mostly in a negative way. But there have been a few fortunate industries and verticals that have been positively affected and the online gaming industry, mainly online casino, has been one of those lucky few.

Brick-and-mortar casinos have suffered a major revenue hit, as extreme travel restrictions and quarantines have kept gamblers out of physical casinos, drastically reducing their net revenue potential. Operators that took advantage of this gap and invested in automation and personalisation have drawn gamblers to the online arena.

However, with the world now starting to gain control of the virus and quarantine getting looser, online gaming operators as well as virtual and esports betting companies must take action if they wish to avoid steep drop offs in their active player base and revenues.

What actions must gaming operators take to both retain newly acquired players and increase their lead conversion?

The answer is to implement a real-time marketing automation platform that will take advantage of their data and create the most personal customer experience for their players.

The power of real-time automation is that it takes out the guesswork of your marketing and sales efforts, enabling you to engage with your players – based on their historical and current behavior.

Now more than ever operators need to engage with their players in absolute real time, responding to their actions, offering the most updated and relevant contextual content. This can be the difference between nurturing clients or losing them.

But it's not just enough to respond fast. The response has to be data-driven, therefore the automation platform must respond in real-time to the customers based on all the available data.

How does Solitics aim to stand out in this area?

We define real-time in terms of time, context and content. There are a lot of pain points in data collection within the gaming industry, such as the multitude of online and offline sources, multiple data bases, backend CRMs, websites, bonus engines and more.

Integrating those sources and utilising the data in real-time is a technological challenge that impedes operators' ability to respond to each player contextually with the most personalised content.

Most automation platforms work on aggregated data that is collected periodically, which prevents them from responding to all player actions (or non-actions) in real time. To truly take advantage of the recent growth in their player base, gaming operators need an automation platform capable of working with raw data from all their data sources – automatically mapping the data.

With Solitics, operators can create personal customer journeys, promotions and campaigns on the most personal and effective level. They can respond within seconds or minutes to a potential depositor who is not depositing by automatically raising a pop-up with a bonus offer, or address a player who has just lost in real-time, or send personal and contextual bonuses based on a player's history and current actions. All seamlessly and automatically.

The result is a tailored customer experience that leads to a significant increase in new players' lifetime value and a substantial reduction in churn rates.

Solitics' platform connects to all the distributed data sources, works with the raw data and makes it available in real time. The integration is seamless and doesn't require any special customisations from the operators' side.

Furthermore, based on all the data and actions, Solitics sends the most relevant content at the right time. Thus completing the triangle of time, context and content.

How can data automation help operators build stronger relationships with their players?

Satisfied players become effective promoters who share their experiences with individuals in their circle of influence.

This organically shared promotion, or word of mouth, is an effective way to create new leads and customers for the company. When an operator can act upon all their quality data, they can reach out to players in the most personalised way – creating for them positive engagements and maximising each customer's experience, which eventually makes them end up with clients that are significantly more lucrative.

Tomer Baumel is the founder and CEO of Solitics and has more than 10 years of experience in big data and software development. During his previous role in Pontis, an innovative technology company, Tomer was responsible for implementing large scale data solutions. Nowadays, Baumel leads Solitics, a data cloud company that provides a unique and cutting-edge data management and automation platform, which enables B2C organisations to personalise their customer experience through any channel in real time, based on all their data.

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