



WEEK 29

FRIDAY 17 JUL 2020

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KENNY ALEXANDER LEAVES GVC AFTER 13 YEARS; SHAY SEGEV TO BECOME NEW CEO

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THIS WEEK

- **Border boost for Macau casino sector**
- **Hippodrome CEO questions UK casino closures**
- **Tipico and Interwetten continue international expansions**
- **New DraftKings launches in Colorado and Pennsylvania**

GUEST INTERVIEW:

- **Lee Drabwell, regional director, Playtech BGT Sports**

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KENNY ALEXANDER LEAVES GVC AFTER 13 YEARS; SHAY SEGEV TO BECOME NEW CEO



Kenny Alexander will retire from the board and company at GVC Holdings after 13 years as CEO. COO Shay Segev will replace the outgoing executive, with the changes effective from 17 July.

Alexander has overseen rapid growth at GVC since 2007, most notably with M&A activity including its takeover of Ladbrokes Coral, which was completed in 2018. Segev has been GVC COO since March 2016, having previously been chief strategy officer of Gala Coral.

Alexander said: "I have given 13 years to GVC and I now want to give some time to my family. I have enjoyed every minute of helping to grow GVC into the business it is today, and am proud of all that has been achieved."



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THIS WEEK IN NUMBERS



66%

Year-on-year fall in New Jersey gaming revenue for June, to \$97.6m, although online revenue almost doubled to \$84.9m

8

La Liga football clubs that need new shirt sponsors next season, following a ban on gambling sponsorship in Spain



25%



Workforce laid off at Boyd Gaming due to the impact of the COVID-19 pandemic



US sportsbooks Betfred has now that it has partnered with Mohegan Sun Casino at Virgin Hotels Las Vegas

\$946,741

Sports betting revenue generated in Colorado for May, its first month of legalised sports betting, from \$25.6m in handle



"We have the best people, brands and technology in our sector, and our joint venture in the US with MGM Resorts positions us very strongly for growth in that hugely exciting market."

Segev said: "I am hugely honoured to have been given this opportunity by the board to lead GVC into the next phase of its development. Kenny has been a fantastic colleague and leader during the four years I have worked with him. Thanks to his stewardship, I am succeeding him at a time when the business is in robust financial health, with an exceptional team and exciting opportunities ahead of it, especially in the US."

"Our strategy will continue to be focused on our industry-leading technology, brands, products, marketing capabilities and people, as well as being absolutely committed to making gambling as safe and enjoyable as possible for our customers around the world."

In its H1 trading update, GVC Holdings posted an 11% fall in net gaming revenue, although online revenue saw a 19% growth for the trading period. For Q2, online revenue grew 22%, with the company overall attributing its performance to "robust and decisive cost management." GVC did not provide financial totals for revenue, usually only doing so in full-year reports. The operator's H1 EBITDA is expected to be in the range of £340m-£350m (\$426.5-439m).

On the results, outgoing CEO Alexander said: "Given the extraordinary circumstances in which the group is currently operating, delivering double-digit online net gaming revenue growth in all of our major territories is a very strong performance."

"It is a clear testament to the strength and diversification of our business model, the quality of our technology, the enduring appeal of our brands, and the talent, commitment and professionalism of our people."

"We have worked hard to achieve our target of operating at cash neutral throughout the lockdown period, which has enabled the group to retain the necessary financial strength to be able to take advantage of growth opportunities as and when they are presented to it. Our increased investment in BetMGM in the US is a case in point."

GVC's share price fell from £9.15 to £8.60 after news broke of both its H1 update and its CEO change.

GI Verdict: Very few personnel changes could cause as many industry-wide shockwaves as Alexander's departure from GVC. After 13 years as CEO, the executive has become synonymous with UK gambling.

In an understandably difficult position and industry to operate, Alexander was also one of the few top-ranking CEOs to retain his role for so long. In January 2019, 888 Holdings CEO Itai Frieberger left the role after 14 years at the company, also to be succeeded by his COO Itai Pazner.

William Hill CEO Philip Bowcock departed in 2019, succeeded by Ulrik Bengtsson, and Jim Murren left MGM Resorts International earlier this year, following 12 years as CEO and 22 years with the company.

As for GVC's transition, Segev has been heavily involved in the running of the company already and has been spoken of highly within the industry, particularly by Alexander himself. The operator's long-term goals and digital focus should not change drastically and GVC will likely continue down its current path of navigating headwinds but continuing to generate huge revenues.

GVC's H1 revenue fall would have been far from ideal for shareholders but, during a global pandemic, this could not have been avoided. When looking at Alexander's overarching legacy, whether you disagreed with some of his strong views or willingness to be outspoken, it's difficult not to look back in admiration from a business sense.

The now-former CEO oversaw tremendous growth at a company that was nowhere near being one of the biggest firms in gaming at the time. Now, as a member of the FTSE 100, GVC is unquestionably one of the sector's giants.

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WORLDWIDE LOCATIONS

United States, Europe,
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£45m

Approximate figure the National Lottery will donate to UK communities most vulnerable to the impact of the COVID-19 pandemic (\$56.3m)



\$1.5m

Daily operating costs of Melco Resorts' venues for Q2 2020, reduced from \$3m before the coronavirus pandemic



MACAU CASINO STOCKS SURGE AS BORDER RESTRICTIONS ARE LIFTED

Macau-based casino stocks surged Tuesday following China's relaxation of COVID-19-related border restrictions between Macau and Guangdong.

Guangdong authorities said from 15 July, visitors arriving from the world's gambling capital are no longer required to undergo a 14-day quarantine – the enforcement of which led to 4,537 arrivals in May, compared to 1.1 million May arrivals in 2019.

Galaxy Entertainment soared by over 10% in trading, while Sands China, which also has a huge presence in Macau's Cotai Strip, shot up by 9% to \$4.33.

Although Wynn Macau climbed 7% and MGM China rose by 5%, their stocks are still down 25% and 21% respectively for the year-to-date. Industry analysts remain divided on recovery prospects.

Demand from Guangdong is expected to swiftly recover to 70% of normal levels, provided visas are resumed. Other analysts believe hurdles to movement still remain, as individuals must hold 'green' health codes and have tested negative seven days before crossing the border.

Jefferies Group gaming analyst Andrew Lee also emphasised potential issues

relating to travel restrictions, specifically citing the Individual Visit Scheme (IVS).

"The IVS visa programme allowing Guangdong residents to visit Macau is still suspended, which accounts for 73% of Guangdong arrivals in Macau," he said.

Gross gaming revenue in Macau collapsed 96% in Q2 with a 70% drop projected for Q3, according to Bloomberg.

GI Verdict: The relaxation of border restrictions will be certainly welcomed by Macau casino operators, who have had to endure a torrid first half to the year.

Despite having just experienced its "worst quarter ever" according to Morgan Stanley, it feels like the Macau casino market may have weathered the storm as stocks begin to rise once more.

While the predicted 70% year-on-year drop in Macau's Q3 revenue is far from desirable, it would still represent a considerable recovery from the market's performance in the last few months.

Now operators will need to capitalise on increased demand from Guangdong to ensure Macau is back on the path towards normality.

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THE WEEK IN QUOTES

“A month later, when the Premier League returned, it was another huge spike, along with La Liga and Serie A. We always knew football was a big deal for UK bettors, but we could clearly see a flat line and you could add on sports and see their direct effect.”

Tal Ben Yehuda, head of sports at freebets.com, talks Gambling Insider through the return of major football betting

“Sportradar is a business I have long admired and I’m thrilled to be joining at such an interesting time for the global sports and betting industries. Carsten Koerl and the management team have some very exciting plans over the coming years and I’m looking forward to helping the company achieve its goals.”

Former Paddy Power Betfair CFO Alex Gersh discusses his appointment as Sportradar CFO this week

“The development of a fair and regulated betting industry is excellent news for Ukraine. It will draw international investment [to] help grow important technology and payments sectors that are the foundation of the betting industry.”

Operator Parimatch comments on Ukraine passing a bill to legalise gambling, both online and in retail

HIPPODROME CASINO CEO: OPENING PUBS AND RESTAURANTS BEFORE CASINOS “CURIOUS TO SAY THE LEAST”

Hippodrome Casino CEO Simon Thomas has branded the UK Government’s decision not to reopen casinos “completely illogical.”

UK casinos have been closed since March as part of the national effort to slow the spread of COVID-19.

Echoing the recent messages of Betting and Gaming Council (BGC) CEO Michael Dugher, Thomas is perplexed as to why pubs and other leisure venues have been allowed to reopen – yet not casinos.

Bingo halls, arcades and betting shops were also allowed to reopen on 4 July but the 120 casinos in England remain closed.

The Hippodrome CEO said: “If there is the need for gradual easing, to have casinos as one of the last ones is bizarre.

“Compare us with bingo halls, casinos are not sessional, and people are not going in lumps.

“The customers are also relatively younger in a casino; the average age is in the 30s, whereas bingo halls are quite a lot older, certainly more in the higher risk groups. Just taking those two reasons,

if there was gradual easing, it should be the other way around.

“There is some logic to a gradual easing, but the Government should be taking a more informed decision as to what parts to open first. Opening pubs and restaurants ahead of casinos is curious to say the least.”

GI Verdict: The UK Government’s decision not to reopen casinos is perplexing, particularly considering the measures ready to be deployed in such properties, such as partitioning screens and strict social distancing rules.

However, we’ve seen U-turns from the UK Government on a number of issues over the past few months after pressure from the BGC.

In its latest success story, from 22 July Scottish betting shops will no longer face seating or live racing restrictions after a campaign spearheaded by the industry group.

Casino owners in the UK will be hoping the BGC’s sustained pressure, and Thomas’ contribution, will have the same result here.

TIPICO AND INTERWETTEN BOOST INTERNATIONAL PRESENCE WITH KEY SIGNINGS

Rival operators Tipico and Interwetten have both boosted their international presence with new partnerships.

German operator Tipico has signed an agreement with Diligent, expanding outside of Europe and into the US.

The operator will work with the omnichannel digital advertising services company for its launch in the US market, with Tipico emphasising Diligent’s success with campaigns on Facebook, Instagram and other media.

Tipico’s expansion into the US will provide welcome news for the operator.

Earlier this year, however, there was less encouragement as the company halted all new affiliate activity.

Meanwhile, Austrian operator Interwetten has signed Yakubu Ayegbeni as its ambassador for the Nigerian market, following its entry into the country in March.

The ex-footballer scored 95 goals in the Premier League and played 57 matches for the Nigerian national team.

As such, Yakubu becomes a strategic signing for the operator, which Interwetten says demonstrates its “intent

to be in Nigeria for the long term.”

Yakubu said: “When choosing my partners, it is really important to me the chemistry is right and that was immediately obvious after the first talks.

“Interwetten has been a reliable and serious partner in sports for decades, in countries all over Europe. It will be a very exciting partnership and homecoming for me too.”

Dominik Beier, speaker of the board at Interwetten, said: “We are very happy that with Yak we can embrace great things. The passion for football is enormous in Nigeria; footballers are idols.”

GI Verdict: International expansion for the neighbouring operators marks an important step for both.

For Tipico, after establishing a strong foothold in Germany and Austria, moving into the US market will help the operator compete with rivals that are strengthening all the time.

For Interwetten, which recorded its best financial results in 2019, Yakubu should provide a massive boost within the Nigerian sports betting market.



TAKING STOCK

SHARE PRICES COVER THURSDAY
9 JULY TO THURSDAY 16 JULY
(10AM BST)

GVC Holdings

871.79 GBp



4%

DraftKings

32.56 USD



-1%

Scientific Games

16.19 USD



-3%

Eldorado Resorts

42.03 USD



3%

Genting Singapore

0.765 SGD



-1%

DRAFTKINGS EXPANDS US OFFERING WITH PENNSYLVANIA, WEST VIRGINIA AND COLORADO LAUNCHES

DraftKings has further expanded its current offering with launches in Pennsylvania, West Virginia and Colorado.

The operator this week launched its standalone casino app in Pennsylvania, the second state in which it has gone live, before then entering West Virginia.

Meanwhile, DraftKings also launched its retail sportsbook in Colorado at the Mardi Gras Casino in Black Hawk on a temporary basis.

DraftKings launched its casino app in New Jersey last month and it's now also available in the Keystone and Mountain States. Casino players could previously only play through DraftKings' sportsbook but the brand is now expanding its focus within the vertical.

Suppliers such as IGT will provide games on the app, while Pennsylvania players will soon have access to the DraftKings Live Dealer Studio.

In Colorado, DraftKings will operate in partnership with Twin River Worldwide Holdings. Its temporary sportsbook will feature eight self-service betting

kiosks, a cashier window and several large TVs throughout the space.

A number of safety precautions are in place at the Mardi Gras Casino due to social distancing measures amid the COVID-19 pandemic.

DraftKings CBO Ezra Kucharz said: "As our partners at Mardi Gras Casino work to expand their current operations and location, we are thrilled to come together to provide the most exciting, real-time gaming opportunities as sports begin to make their return."

GI Verdict: The further expansion of DraftKings strengthens its position in the digital market, despite Roar Digital recently throwing down the gauntlet, saying it will do whatever it takes in the US online space.

The Pennsylvania and West Virginia launches mark another opportunity to generate revenue online, with only limited states offering online gaming in the US.

Meanwhile, the Colorado sportsbook sees DraftKings capitalise on the reopening of land-based operations in the US and the return of major sport.

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NJ ONLINE GAMING REVENUE SOARS

New Jersey online gaming revenue soared in the absence of land-based gaming options, growing 123.11% to \$84.913m in June.

June's numbers fell just short of May's record \$85.94m.

Nearly all online operators more than doubled last year's revenue.

However, Caesars Atlantic City and Eldorado Resorts' Tropicana,

which did not double last year's revenue, still soared more than 60% each.

Despite the strong results for online gaming and sports betting, those numbers paled in comparison to last year's \$283.765m, when land-based casinos were open.

STATE TOTAL

CASINOS	REVENUE (M)	CHANGE (%)
Golden Nugget	\$29.216	-1.11
Resorts	\$21.076	-16.24
Caesars (CZR)	\$8.790	-68.85
Borgata (MGM)	\$17.775	-74.95
Tropicana (ERI)	\$6.051	-79.50
Hard Rock	\$6.235	-80.86
Ocean	\$1.734	-91.93
Bally's AC (CZR)	\$0.039	-99.76
Harrah's (CZR)	-\$0.002	-100.01
Casino Total	\$90.914	-67.31

RACETRACKS

CASINOS	REVENUE (M)	CHANGE (%)
Meadowlands	\$6.055	+38.17
Monmouth Park	\$584,132	-53.11
Racetrack Total	\$6.639	+17.97
NJ Gaming Total	\$97.552	-65.62

MULTIPLE PROPERTY COMPANIES:

CASINOS	REVENUE (M)	CHANGE (%)
Caesars	\$8.790	-87.23



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SPORTS BETTING

CASINO	REVENUE	CHANGE (%)	PARTNER
Borgata	\$877,303	+1,265.47	GVC
Resorts Digital	\$3.879M	+44.31	FLTR/DKNG/Kambi
Meadowlands	\$6.055M	+38.17	FLTR, PBH
Ocean	\$687,685	-29.29	WMH
Bally's	\$38,960	-39.89	SGMS/888
Monmouth Park	\$584,132	-53.11	WMH/Rush St
Golden Nugget	\$66,533	-56.50	DKNG/CHDN
Tropicana	\$2,426	-97.28	WMH
Resorts	\$0.000	-100.00	DKNG
Harrah's	-\$2,109	-116.76	SGMS
Hard Rock	\$450,589	N/A	GiG
Total	\$12.639	+30.28	N/A

INTERACTIVE

CASINO	REVENUE (M)	% CHANGE	SHARE	PARTNER
Ocean	\$1.046	+193.24	1.2	GAN
Borgata (MGM)	\$16.897	+180.03	19.9	GVC, Pala
Resorts Digital	\$17.197	+148.25	20.3	SGMS, FLTR
Hard Rock	\$5.784	+138.98	6.8	GiG
Golden Nugget	\$29.150	+114.35	34.3	FLTR, GAN, SGMS
Caesars (CZR)	\$8.790	+77.03	10.4	888, SGMS
Tropicana (ERI)	\$6.049	+61.09	7.1	GYS
Online gaming Total	\$84.913	+123.11	N/A	N/A
Casino	\$81.376	+124.25	N/A	N/A
Poker	\$3.537	+99.81	N/A	N/A

GUEST INTERVIEW



LEE DRABWELL

REGIONAL DIRECTOR UK, ROI,
BELGIUM & ITALY, PLAYTECH
BGT SPORTS

*Drabwell discusses the return
of retail betting in the UK*

What is the 'new normal' like in UK shops and how do you see punters reacting?

I think the new normal we're seeing has been fairly consistent across most operators' estates. There are door-entry systems, which allow monitoring of how many customers are allowed at one time, as well as a combination of staff present on the shop floor. We're also seeing strategically re-positioned or, in some cases, completely replaced seating. The most important thing has been the partitioning screens, with dividing space between gaming machines and sports betting terminals (SSBTs) to ensure customers are protected.

This means that, in general, operators have been able to switch on the vast majority of SSBTs in-shop as well as trading over-the-counter business (OTC). Overall, we're pleased with the results and happy to see business levels returning quickly. I think there's an acceptance out there for customers that things were going to be different; from what I've experienced, the rules are being followed well by punters with minimal fuss.

What do you expect in terms of betting volumes?

The best way to answer it, and I can only talk about terminal performance, is that I've been very pleased with business levels and how quickly they've returned. Retail betting's restart was timed perfectly with the return of live UK football and Royal Ascot. In line with that, betting volumes are now reaching the level we would have expected pre-COVID-19.

Football has been very strong and, not surprisingly, in-play football is becoming even more popular. You can only really have an in-play experience on a terminal as it's not available over the counter, so that's been good for us. We've also seen lockdown sports stay popular with punters, with table tennis and darts retaining a heightened interest even now.

Has the demand for table tennis really maintained even now that major sports leagues have returned?

Yes, but it's not a large number in the grand scheme of things. What I am happy about is the retention rate, and it just shows that if you provide the right information and live data, particularly for in-play, there's an appetite from customers to look beyond the more traditional sports. Retail punters are now adding table tennis into a seven or eight team accumulator, as there are now far more choices on SSBTs, which is making accumulators very popular. At the end of the day it's all about entertainment. At least for me, I'll watch anything, from greyhound racing to volleyball, and I'm guessing there are plenty of sports fans out there who feel the same.

With players returning to shops, how can companies ensure safer gambling measures are being implemented?

It's certainly the right question to ask: is there going to be an increase in customers knocking on shop doors spending money they can't afford? I think operators are aware of this, and it's in their interests to protect against it.

I can't speak for individual operators. I am, however, very experienced in the retail space and I know what measures are likely to be enacted. The current scenario with a limited number of customers in a shop, with more staff on the shop floor, will be a positive and allow for even better interaction.

My role in this area is to spend time with operators and support anything they're doing, like signposting on terminals, for example, and using software to help wherever possible. I also personally meet with the Gambling Commission throughout the year to bring them up to speed on what we do with our software development, as well as working collaboratively with operators.

How do you see UK retail faring over the coming weeks?

We're looking for consistency. When the changes come into effect regarding social distancing in shops – two metres to one metre – that will clearly make things more manageable; we are confident we will see even more customers returning, as well as operators being able to use greater areas of their shops.

Society will have changed somewhat with how customers interact in retail, which clearly is a view shared by many. The next few months will be an exciting opportunity and it will be interesting to see how customer behaviour changes.

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