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WEEK 35

FRIDAY 28 AUG 2020

**JAPANESE IR BRIBERY
CASE CONTINUES;
500.COM ADVISERS
ADMIT WRONGDOING**





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THIS WEEK

- **Four UK operators advertising on sites accessible by minors**
- **San Manuel appoints new CEO**
- **Q2 statistics reveal Macau and Atlantic City woes**
- **Two deals struck by Scientific Games**

GUEST COLUMNIST:

- **Cillian Barry, MD, SportCaller**



Japanese lawmaker Tsukasa Akimoto is in the midst of a court case regarding accusations of bribery from a Chinese gambling company.

The allegations relate to the Japanese Government's plans to introduce gambling through integrated resorts (IR) projects. In 2017, Akimoto, a member of the ruling Liberal Democratic Party, was overseeing the initiative as senior vice minister in the Cabinet Office.



THIS WEEK IN NUMBERS

153

Arrested during police raids on 22 illegal gambling dens in the Southern area of Hong Kong



24 August

The date ESPN launched its state-of-the-art studio at the LINQ hotel in Las Vegas, where it will produce daily sports betting content in partnership with Caesars Entertainment

2016

The year Kambi started powering the LeoVegas sportsbook, having this week expanded its partnership with the operator



4%

Year-on-year fall in Q2 revenue for affiliate Better Collective, which generated €15.3m (\$18m)



The lawmaker was initially arrested on 25 December 2019 for accepting ¥7.6m (\$72,000) worth of bribes from Chinese gambling operator 500.com in 2017 and 2018. Three members of the company were also arrested, including the former vice-president and two Japanese corporate advisers.

In the first hearing of their trial on Wednesday, the two former advisers admitted to providing ¥3m in cash to Akimoto in September 2017. The company is alleged to have provided an additional ¥4.6m worth of bribes by organising trips to Hokkaido, Shenzhen and Macau.

The two advisers, Masashiko Konno and Katsunori Nakazato, were hoping the bribe would ensure the company's involvement in a casino project in Japan. According to reports from The Mainichi, the operator had asked Akimoto to increase the number of planned IRs to five, expressing their interest in developing a casino project in Hokkaido.

Following his arrest last year, Akimoto had been permitted bail; however, he was rearrested last week for alleged witness tampering. This is his third arrest since December.

Three executives of 500.com were accused of offering one of the advisors ¥30m to persuade him to give a false testimony in the trial. Akimoto was said to have met with one of the executives, Akihito Awaji, regularly while he was released on bail. The three reportedly asked the witness to deny he had met Akimoto in September 2017 when the cash bribe was handed over.

Although now in custody once more, Akimoto has since denied any involvement in witness tampering. Last week, he told investigators: "I did not ask (anyone to falsely testify), nor am I involved in anything."

The three supporters have also been arrested for violating organised crime laws. The Tokyo District Public Prosecutor's Office is continuing with the investigation.

This is just one of many allegations of bribery made against Japanese lawmakers in regards to the country's IR projects. So far, five lawmakers have been questioned in relation to alleged bribery.

In January 2020, lawmaker Mikio Shimoji admitted to taking a ¥1m bribe from 500.com to assist his campaign in the 2017 general election.

Speaking at a news conference in Okinawa, Shimoji admitted an employee in his office had accepted an envelope containing the bribe around October 2017, which was not declared in campaign or political funds and expenditure reports.

Although a strong proponent for the introduction of IR projects in Japan, Shimoji has insisted he never tried to persuade the Government to favour 500.com.

GI Verdict: The future seemed bright for Japan's gambling industry as the Japanese Diet enacted the Integrated Resorts Implementation Act in 2018. However, since then plans have faced fierce opposition and significant road blocks – not least these legal entanglements.

According to a Nikkei survey taken in 2018, support for Japanese Prime Minister Abe's cabinet fell 45% after the bill was introduced. This populace needed to be won over, but subsequent bribery accusations will have done little to quell fears and doubts.

The COVID-19 pandemic made matters worse. With the Government forced to refocus its efforts on damage limitation, the development of a Basic Policy for IRs has taken a back seat.

Although priorities clearly lie elsewhere, perhaps there is no better time for IRs in Japan. After all, what better way to fill a substantial hole in the country's budget than by introducing a profitable new industry? Who knows, maybe some hearts and minds could be won in the process.



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2020-21



Southampton Football Club has confirmed Sportsbet.io as the club's front-of-shirt sponsor for the 2020/21 season

€139m

In H1 online gaming revenue for the Portuguese market (\$164.2m), a 44% annual rise



1

Churchill Downs announced the Kentucky Derby will take place without a crowd for the first time in the race's history



ASA IMPLICATES UK OPERATORS IN LATEST REPORT

Four gambling operators have been running 70 betting ads across eight websites allegedly accessible by minors, according to the Advertising Standards Authority's (ASA) latest report on age-restricted advertising.

The ASA, a UK regulator, study employed "CCTV-style" monitoring tools aimed at detecting online advertising related to gambling, alcohol, tobacco and weight control products among others.

The study found 159 age-restricted ads broke the advertising rules, with 35 advertisers placing age-restricted ads on 34 websites and five YouTube channels aimed at or attracting a disproportionately large child audience.

High fat, sugar and salt edibles (HFSS) was the only category to score higher than gambling.

"The ASA is using technology to proactively monitor online ads to help build a culture of zero tolerance for age-restricted ads appearing on websites aimed at children," said ASA CEO Guy Parker.

"We expect advertisers and the parties they contract with to use the sophisticated tools available to them to target their ads responsibly. This is just one part of a wider set of initiatives we're undertaking to ensure

children are protected online and we'll report on our further work in this area in the coming months."

While the operators were not identified, the ASA says it will contact each company warning them about their future conduct.

This monitoring exercise is the first of four to pick up inappropriately advertised age-restricted ads. They will happen quarterly over the next year, with the ASA pledging to report publicly on these figures, as well as compliance action taken against repeat offenders.

GI Verdict: Just when you thought the industry was cleaning up its marketing act, these new figures are damning. It was only in May that another ASA report showed UK children were seeing less gambling adverts on television than previously.

While it could be argued there's a fine line to what children can and can't view, these figures will only encourage the industry critics who call for stricter advertising measures

Several operators have been found to have broken advertising practice codes in recent times and, while efforts have been made to limit advertising exposure, this news will come as a significant setback.

THE WEEK IN QUOTES

“Feels so good to be taking mobile registrations in Illinois. Especially after the corrupt idiots at Rush Street Gaming tried to block us in the state. Over the long run, good policy always wins.”

DraftKings CEO Jason Robins takes to Twitter, welcoming the news Illinois has scrapped in-person only registrations, but taking a dig at Rush Street Interactive in the process

“Rush Street has never been asked to leave a state, pays taxes on every wager, and has not been named in multiple consumer class action suits.”

The statement offered by Rush Street Interactive in response to Robins' tweet, which he deleted two hours after posting

“Synergy Blue is a great sponsor to have because the company knows exactly what it takes to make successful products. The winner of this year's Digital Product of the Year Award will have to really stand out, given the rise and rise of digital gaming.”

Gambling Insider COO Julian Perry welcomes Synergy Blue as a category sponsor at the Global Gaming Awards Las Vegas 2020

SAN MANUEL APPOINTS LAURENS VOSLOO AS NEW CEO

San Manuel Band of Mission Indians has appointed Laurens Vosloo as the tribe's new CEO.

Vosloo initially joined as San Manuel Casino CFO in 2014, becoming CFO for San Manuel Tribal Government Operations and San Manuel Casino in June 2018.

The exec was also an executive director of finance for Las Vegas Sands prior to joining San Manuel. He began his career in auditing at Deloitte in Las Vegas.

In his role as CFO, he has helped with economic growth for the tribe, and will now be responsible for the running of day-to-day tribal government and San Manuel Casino operations.

In June of this year, Loren Gill stepped down from the position of CEO, which he took up in March 2019.

No official reason was given for Gill's exit, while Vosloo served as interim CEO following his departure.

Ken Ramirez, chairman of the San Manuel Band of Mission Indians, said:

“Laurens has made a significant impact over the past six years and has become a trusted advisor.

“We believe he is the right person to help our tribe chart its path into the future.”

The Californian tribal casino San Manuel reopened to the public with strict safety measures in place from 15 June, after the COVID-19 pandemic forced it shut on 15 March.

GI Verdict: In uncertain times, San Manuel will be seeking stability but arguably more so than most.

With Gill only serving for just over a year, having taken over from Jerry Paresa, who became CEO Emeritus in September 2018, the tribe needs a steady hand.

Vosloo has excelled in his role as CFO and will have a big job on his hands steering the tribe through the economic trouble caused by the pandemic. His financial expertise makes him the right man to lead the tribe on the road to recovery.

ATLANTIC CITY AND MACAU GAMING REVENUES FOR Q2 SHOW EXTENT OF REGIONS' WOES

The scale of the coronavirus pandemic's impact on New Jersey and Macau gaming has been revealed through the latest financial figures, with both jurisdictions posting huge Q2 declines.

Three months without bricks-and-mortar revenue saw Atlantic City's casinos record a \$112m in Q2 gross operating loss, compared to an operating profit of nearly \$160m for the same period last year, according to data from the New Jersey Division of Gaming Enforcement.

New Jersey Governor Phil Murphy ordered State casinos to shut mid-March, to protect citizens from COVID-19 due to the increased danger posed to his State by adjacent New York City, one of the major virus hotspots.

While permitted to reopen from 2 July, casinos operated under limited capacity and without indoor dining, smoking and drinking, resulting in losses for nearly all nine operators in the Garden State.

Macau's second quarter has also experienced dramatic losses across the board, with gaming and other tourism services down by 97% and 94%

respectively, contributing to a 68% fall in the city's GDP for the period, according to the city's Statistics and Census Service data.

Gross gaming revenue fell by 96% year-on-year for Q2, and 77% for H1 2020, according to separate data released by a local casino regulator.

In an April memo, Fitch Ratings said it expected Macau to experience “a much deeper economic contraction in 2020” than ‘AA’ credit-rated peers whose economies are less dependent on tourism for survival.

GI Verdict: Revenue for the land-based sector is only slowly picking up and expect that trend to continue long into 2021. While the majority of land-based venues are now open worldwide, the travel restrictions and health, safety and capacity measures that apply mean there's no short-term fix to losses.

However, with months of closures meaning heavy year-on-year losses are both inevitable and misleading, we will have more of an idea how the new-look casinos are performing, in the second half of 2020.

TAKING STOCK

SHARE PRICES COVER
THURSDAY 20 AUGUST TO THURSDAY
AUGUST 27 AUGUST (9:30AM BST)

Churchill Downs 171.97 USD	↓	1%
Twin River 24.85 USD	↓	3%
Kambi 250.80 SEK	↑	6%
Better Collective 146.00 SEK	↑	2%
GAN 21.33 USD	↓	15%

SCIENTIFIC GAMES EXPANDS LOTTERY PARTNERSHIPS IN EUROPE AND NORTH AMERICA

Scientific Games has secured partnership extensions with lottery clients in both the Netherlands and Minnesota.

In the Netherlands, Scientific Games launched its sports betting product suite with the National Lottery, already a long-term partner of the supplier and member of the World Lottery Association.

Keith O'Loughlin, SVP sportsbook, digital at Scientific Games, said: "Credit to the teams across Nederlandse Loterij and our in-house development teams.

"In the last eight weeks we have launched six sportbooks across the globe for leading brands in our major regulated markets. Demand has driven a total transformation in our ability to deploy services."

Maurice Meijer, Nederlandse Loterij CTO, said: "We are very content with the smooth go-live process, due to the close cooperation of both our teams. Since enhancing our offering, we've received strong customer feedback welcoming the new user interface."

Meanwhile, Scientific Games also saw the Minnesota Lottery extend its existing

four-year contract with the supplier, for an additional two years through June 2022.

The company has provided instant games to the Minnesota Lottery since its inception in 1990.

Wes Harms, director of operations for the Minnesota Lottery, said: "Branded games like SLINGO have been popular with our players, which helps generate funding to support Minnesota's state services.

"We are happy Scientific Games will continue to help us deliver what our players want for the next two years."

GI Verdict: Deal by deal, Scientific Games is showing a gradual recovery in market confidence, with its share price sitting at around \$19.90 this week.

Shares are now much closer to their pre-pandemic value, having hit a low of \$3.76 on 18 March, sitting at a year-high of \$30.45 before the pandemic on 12 February.

While these lottery deals do not represent groundbreaking new clients for the supplier, they are a sign of the strong existing relationships that will be key to providing stability for Scientific Games.



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NEVADA, LAS VEGAS STRIP REVENUES FALL FOR JULY 2020

Nevada's gaming revenue fell 26.16% for July as the Las Vegas Strip dropped 39.19% in the state's first full month of operations after reopening 4 June.

Casinos outside the Strip fell 11.49%.

Las Vegas locals enjoyed strong performance

despite limitations, down only 8.23% vs. the double-digit declines for the Strip and downtown Las Vegas.

Downtown suffered once again, down 20.6%, likely due to its many Hawaiian customers facing mandatory 14-day quarantines.

Reno had a resilient month with just a 10.22% decline.

Casinos statewide are still operating at 50% capacity.

Sportsbooks brought in \$6.295m in revenue, turning around June's \$483,000 loss.

REGION	JULY 2020 REVENUE (M)	YEARLY CHANGE (%)
Nevada	\$756.79	-26.16
Las Vegas Strip	\$330.085	-39.19
Clark County	\$612.855	-28.85
Downtown LV	\$41.685	-20.63
North LV	\$19.313	-28.44
Laughlin	\$36.352	-16.95
Boulder Strip	\$65.477	-19.90
Mesquite	\$9.980	-0.83
Balance of County	\$109.962	+6.25

REGION	JULY 2020 REVENUE (M)	YEARLY CHANGE (%)
Las Vegas Locals Market	\$194.753	-8.23
Washoe County	\$72.258	-7.48
Reno	\$51.497	-10.22
Sparks	\$11.952	+2.82
North Lake Tahoe	\$2.435	-33.20
Balance of County	\$6.375	+16.48



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**Bill Miller, President & CEO,
 American Gaming Association**

REGION	JULY 2020 REVENUE (M)	YEARLY CHANGE (%)
South Lake Tahoe	\$21.105	-39.70
Elko County	\$24.616	-5.59
Wendover	\$16.556	-4.34
Balance of County	\$8.060	-8.07
Carson Valley Area	\$9.665	-2.59
Other Areas	\$16.294	+13.04

LAS VEGAS STRIP COMPONENTS – JULY 2020 MAJOR SEGMENTS

SEGMENT	JULY 2020 REVENUE (M)	YEARLY CHANGE (%)	WIN%	
			2020	2019
Blackjack	\$32.715	-43.72	12.18	11.42
Baccarat	\$58.265	-20.90	15.15	11.7
Total Games	\$147.554	-40.38	15.47	14.02
Total Slots	\$182.531	-38.19	8.21	8.36

JULY TABLE DROP	2020	2019	YEARLY CHANGE (%)
Blackjack	\$268.596M	\$505.814M	-46.90
Baccarat	\$384.587M	\$629.538M	-38.91
Total Games	\$953.807M	\$1.759BN	-45.76
Slots	\$2.223BN	\$3.532BN	-37.05

NEVADA RACEBOOK AND SPORTS POOL – JULY 2020

SEGMENT	TABLE DROP (M)	YEARLY CHANGE (%)	WIN%	
			2020	2019
Race Book	\$3.096	+2.21	16.49	15.68
Football	-\$3.365		-295.98	-8.06
Basketball	-\$0.026		-0.16	-12.99
Baseball	\$4.360	-49.31	6.67	4.92
Total Sports Book	\$6.295	-40.24	3.85	4.47

SEGMENT	TABLE DROP (M)	YEARLY CHANGE (%)	% WIN	
			2020	2019
Race Book	\$2.695	+3.93	16.59	15.69
Total Sports Book	\$5.702	-43.82	3.72	4.66

GUEST COLUMNIST



CILLIAN BARRY
MANAGING DIRECTOR,
SPORTCALLER

The key to unlocking the US door, Barry examines the rapid evolution of FTP into its own standalone vertical

If only changing the tune for the better was as easy as hitting Shuffle on your iPod Touch. Indeed, in this sometime copycat industry, it's helpful to consider decisive change as a catalytic force, not a catatonic one. After all, too often do we appear to alter our methodology for reactive rather than proactive reasons.

However, I'm glad to say that in a year of unimaginable change, we're finally starting to welcome progress around exciting new products, technology and sensible solutions to our ever-evolving landscape. Free-to-play (FTP) has been in the vanguard of such advances over the last 12 months, a period in which FTP has greatly grown and adapted as a genre, staking a claim to being recognised as an industry vertical in its own right. This dynamic shift in status was endorsed by the Investor Presentation for the recently completed Flutter Entertainment / The Stars Group (TSG) merger, where FTP was listed as one of six key product tent-poles – alongside more mature industry perennials such as sports betting, casino and fantasy.

Morgan Stanley Research estimates that US sports betting and online gaming revenue will grow from just under \$1.5bn in 2019 to \$12bn by 2025. So, while many of our European clients are primarily looking at retaining or competing for market share in a mature marketplace, the US will very much remain an acquisition play for some time to come. Marketing budgets to gain an early foothold are running into hundreds of millions, with CPA rates topping \$1,000 per player in some states. At the heart of it all, the big betting companies, sports franchises and TV networks all now view FTP as a core strategy towards acquiring players at reduced CPAs.

Market leader FanDuel has been dexterous in its use of FTP, releasing 10 games with us since first launching around 2019 March Madness, college basketball's \$933m jamboree. In that short space of time, FanDuel has sought to innovate, evolve and refine its approach. New entrants to the market, alongside existing incumbents about to throw their wallets at it, would do well to look at some of the operator's inventive accomplishments.

FanDuel has harnessed the happy reality that FTP games are compliant wherever you stick your pin on a map of North America, promoting games nationally to millions of current and would-be players, building both brand awareness and database. To engage this fresh demographic, it has veered away from eye-catching jackpots that are practically impossible to win, instead asking simple questions around prop-bet opportunities with free site credit for every correct answer. This has also served to educate players around the various intricacies of gambling terminology and our love of 'over/under x.5' in prop bets markets rather than 'more/less than x'.

When the brand does have games with larger jackpots, FanDuel adopts a refreshing approach towards doing so, gearing the mechanics to probabilistically generate more winners, rather than the odd one or two. For the Super Bowl earlier this year, FanDuel combined both approaches, with an attainable offer of \$100 for every player getting 12 out of 15 questions correct – and a jackpot of \$15k for anyone shrewd, or lucky, enough to get all 15 right.

This flexibility in the use of FTP games came to the fore during the sports shutdown, when FanDuel and BetMGM had to abandon their ready-to-go March Madness offerings and quickly pivot to an alternative means of engaging players in the absence of any live sports. We quickly spun up prediction contests on the inaugural NBA 2K Players Tournament, and then released daily quiz games prompting players to both play and refer their friends in an organic way, leveraging social fun and competitive aspects intrinsic to these games.

The key takeaway from all of this is that the industry, and those interested in working with the industry to cash in forecasted revenues, now consider FTP a softer, more educational and socially responsible introduction to sports betting.

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