



WEEK 07

FRIDAY 14 FEB 2020

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THIS WEEK

- **Kambi CEO speaks to GI about US plans**
- **Q4 round-up: Evolution, Betsson and more**
- **William Hill partners with CBS Sports**
- **Scientific Games branches out into esports**

GUEST COLUMNIST:

- **Koen Vanpraet, Global CEO, PXP Financial**

KINDRED GROUP CEO: EURO 2020 WILL BE OUR BIGGEST EVER EVENT



Following Kindred Group's unaudited full-year financial report, where the operator reported flat revenue growth for 2019, *Gambling Insider* caught up with CEO Henrik Tjärnström.

Are you pleased with marginal/flat growth during such a tough year, or is it not really enough for the company's expectations?

We had higher expectations and that's why we issued a trading update on 13 January when we saw the sportsbook margin was below the long-term

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THIS WEEK IN NUMBERS

99.98%

Of shareholders voted to move the headquarters of GVC Holdings to the UK from its Isle of Man base



\$1.5m



The collective revenue accrued by the three licensed sports betting operators in the state of Delaware for January

\$35.4m

The amount sports bettors wagered in West Virginia for January up until the 25th of the month



9



The number of votes the Maine House's attempt to override Governor Janet Mills' sports betting veto lost by

\$92.9m

The net loss for Penn National Gaming for Q4, which ended on 31 December



average for Q4. There were some costs committed already in the quarter which had an impact on EBITDA as well. With Swedish re-regulation and other developments, 2019 was more of a challenging year, but we are used to seeing those challenges from time to time.

We have taken actions on all markets individually and we are seeing the effects of those actions. In Sweden, for example, we are back on track, albeit on a slightly lower trajectory than we expected. But it could well be that it's actually with a steeper incline that it would have been otherwise.

So it's the nature of our business that from time to time there is regulation and more pressure on margins. Over time, we're convinced we will get back to the same level; it's more a question of when.

As an initial reaction, the Kindred share price has gone up. Does this suggest the market sees these as a good set of results considering the current climate?

It's not for us to speculate on the market reactions but, of course, the developments during 2019 have been quite dull from a market point of view. There comes a point where everyone is probably taking comfort from the recent tax numbers coming out of Sweden. We were able to show it is perfectly normal and it's a normal development in any re-regulated market that margin pressure gradually fades away over time. Also in the US now, we can give more of a clear picture and we had more time to elaborate on our plan.

It's a completely normal market launch for us and, over time, we are confident we can reap the benefits of that great opportunity and create really good shareholder value coming out of it. We work methodically and very ambitiously across the business. Coming into the year with strong activity levels, and with the European Football Championships in the summer – where a lot of our markets will be participating this year – it's really good for us. It will be a great opportunity and I'm convinced it will be our biggest ever event.

Even bigger than the Fifa World Cup in 2018?

Yeah, for sure it will be, because now we have a higher base and most of our markets are participating. Even Finland is participating, which is quite unusual, so we are very optimistic for this.

Aside from France, which your trading update details had taxation increases, can you tell us more about why sports betting margins were weaker?

It's a lot of favourites that won. When we presented our Q3 report, we had Champions League days where a lot of favourites won. That was when the period of lower margins started. So from the 22 October until 11 December, the margins were much below the long-term average. That was mostly due to football leagues and Champions League football.

League football is the biggest sport in our group, so it's not only in France where we saw lower margins but we saw the same phenomenon across our key markets. Then we had a recovery at the end but it was lower in the middle, which resulted overall in a lower average for Q4.

How confident are you of achieving revenue and EBITDA growth in 2020?

We're very confident on the revenue. We'll be really disappointed if we don't manage to beat 2019. We're also expecting an improvement in profit with the Euros this year and with the issues we have addressed with Swedish regulation. Gradually, we are expecting a contribution throughout the year in the US, too. There are a lot of reasons for 2020 being a better year than 2019.

24%

The amount operator Twin River Worldwide Holdings' net income fell by in 2019, according to preliminary year-end figures

**\$892.3m**

Collectively paid by Nevada's largest casinos in taxes and fees for the 2019 fiscal year, ending last June

**20**

The number of members Swedish trade group SPER now has, after Yggdrasil was granted membership



KAMBI CEO: US BUSINESS WILL STILL GROW FASTER THAN EUROPEAN BUSINESS WITHOUT DRAFTKINGS

Kambi CEO Kristian Nylén believes the supplier's US business will still grow at a faster rate than its European business, despite the expected loss of its partnership with DraftKings.

DraftKings partnered with Kambi to provide its sportsbook in New Jersey in June 2018, the month after PASPA was overturned, giving individual states the freedom to legalise sports betting.

Both parties confirmed an extension to the partnership last August to expand the agreement to further states.

But DraftKings then announced in December it would be acquiring supplier SBTech, creating a group with market capitalisation of approximately \$3.3bn.

While an official notice of termination is still yet to be issued, Nylén spoke on the assumption Kambi's deal with DraftKings will be coming to an end.

Speaking with *Gambling Insider* at this year's ICE London, Nylén said: "It will obviously have a large impact on our US revenue and it's obviously a big

disappointment, but our overall position is still very strong.

"If I look at the business now compared to where we were before PASPA was overturned in May 2018, we have done amazingly well.

"You can see it's starting to become an important part of our business already. But it's just starting and I'm sure that part of the business will still grow faster than the European part of our business."

Nylén confirmed Kambi was always aware DraftKings would be looking to bring sportsbook technology in-house but said DraftKings never attempted to purchase Kambi.

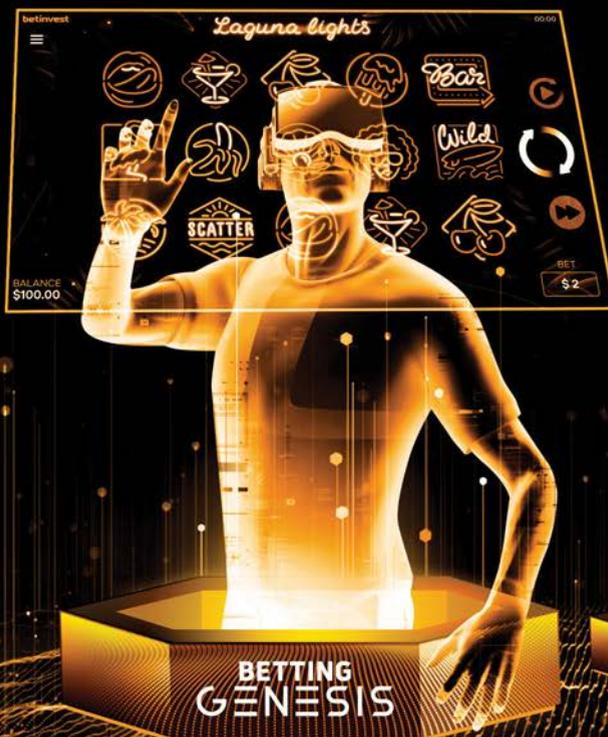
Nylén said: "They were very clear about the message they did want to bring technology in-house, even before we partnered with them.

"I hoped we could convince them otherwise, but we couldn't.

"That [the possibility of being bought by DraftKings] was something that never really came up."

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THE WEEK IN QUOTES

“You get in contact and try and build a relationship with a big brand. You try to help them as much as they help you. You do your research and want to work with people who are on the same timeline, work at the same level and have the same goals as you do. I’m excited to do a lot more things with Ganapati in the years to come.”

Usain Bolt, discussing the beginning of his Ganapati partnership with Gambling Insider at ICE London

“During my six years as CEO, the main focus of the company was on B2C real-money gaming. However, with the last of those assets disposed of in July 2019, and the company now stable and successfully implementing its new B2B-focused game development and licensing strategy, I feel now is the right time for me to pursue a new challenge.”

Outgoing Gaming Realms CEO Patrick Southon comments on his departure

Q4 REPORTS: EVOLUTION, KAMBI, KINDRED, NETENT & BETSSON

Evolution Gaming saw full-year revenue increase 49% year-on-year as several Swedish operators and suppliers posted their annual reports for 2019.

Supplier Evolution Gaming generated revenue of €365.8m (\$399.2m) for 2019, while recording a 51% year-on-year rise for Q4 revenue, to €106m. Total EBITDA was €182.9m, showing an increase of 70%.

Martin Carlesund, Evolution Gaming CEO, said: “The products we launched during the year – including new titles in the game show category – in combination with a continued strong market development and global demand, have contributed to a very high growth rate.”

Kambi posted a yearly revenue rise of 21% to €92.3m, while Q4 revenue rose by 23% to €26.7m. Total EBITDA for 2019 increased by 29% to €29.1m.

Kambi CEO Kristian Nylén said: “Looking back on 2019, it was another great year for Kambi, as we continued to build out a fantastic sports betting product, expanded into multiple new markets and signed six new partners,

all of which leaves us in a great place for 2020.”

However, operator Kindred recorded a revenue fall of 6% for Q4 to £236.2m (\$306.4m), with underlying EBITDA almost halving to £30.7m. For 2019, revenue was £912.8m, a marginal yearly rise of 1%, with underlying EBITDA down 26% to £130m.

NetEnt posted a slight revenue increase of 1% to SEK 1.79bn (\$184.44m), with EBITDA increasing 5% to SEK 855m. Revenue for Q4 fared slightly better, rising 10% to SEK 512m and EBITDA also increased, to SEK 261 up 28%. Therese Hillman, Group CEO, said: “We see good conditions for NetEnt to deliver growth in 2020, supported by our combined game portfolio and live casino.”

Meanwhile, Betsson saw revenue of SEK 1.29bn for Q4 2019, a decrease of 10% year-on-year.

Casino revenue fell by 10%, while sportsbook dropped by 9%.

The operator’s full-year revenue for 2019 was SEK 5.16bn, down 5%.

"There's no question 5G will increase business because there's latent demand; people want it and until now the technology wasn't reliable. If the play happens before you place your bet, it's frustrating, but if the technology works every time and is reliable, I think the demand is going to be there"

Paysafe Chief Business Development Officer Daniel Kornitzer talks about the impact of 5G on the online gaming industry with *Gambling Insider*

"It is obvious to me there is a lot of prestige in the Swedish Gambling Authority's decision and that the Swedish Gambling Authority continues to make questionable decisions which in our opinion lack clear support in the legislation."

Global Gaming CEO Tobias Fagerlund reacts, after the Swedish Gambling Authority rejected Viral Interactive's application to add Ninja Casino to its current license

WILLIAM HILL SIGNS CBS SPORTS CONTENT DEAL

William Hill has announced it will become the official sportsbook and wagering data provider of CBS Sports Digital after signing a new partnership with the company.

CBS Sports Digital is the second-largest sports property in the US, with a number of platforms, including SportsLine, CBSSports.com, CBS Sports Fantasy, CBS Sports apps and 247Sports.

William Hill will benefit from exclusive rights for brand promotion across all platforms.

The operator's data, odds and markets will also be featured across CBS television programming.

The partnership will begin with initial integrations in March, with a full roll-out planned for the fantasy football season.

Joe Asher, CEO of William Hill US, said: "CBS Sports, similar to William Hill, has a longstanding history of connecting fans directly to the biggest events and most iconic moments in sports.

"We are excited about this partnership, with assets including mass-reach digital content products, one of the largest fantasy sports databases and platforms in the world and leading sports television programming, which will allow us to expand the William Hill brand across America quickly and efficiently."

Jeffrey Gerttula, EVP and General Manager of CBS Sports Digital, said: "We're thrilled to launch this momentous partnership, which allows us to deepen our investment and further extend our leadership in delivering multi-platform sports wagering content; while providing William Hill with unprecedented reach for its market-leading betting platform as it continues to grow its US business."

Last month, William Hill provided a positive pre-trading update ahead of its scheduled full-year results.

The operator's full-year adjusted operating profit for 2019 is expected to be in the range of £143m (\$185.4m) to £148m.

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55.10 SEK



15%

Evolution Gaming

385.00 SEK



25%

Betsson AB

48.40 SEK



16%

Kambi

141.00 SEK



11%

NetEnt

28.85 SEK



9%

SCIENTIFIC GAMES EXPANDS INTO ESPORTS WITH GAMESCOREKEEPER AGREEMENT

Scientific Games has announced a new partnership with data provider GameScorekeeper as it looks to expand into the esports market.

Through the partnership, Scientific Games will have access to GameScorekeeper's esports data for use in its sportsbook software and sports pricing offerings, including its Esports Scoreboard Product.

The Danish data supplier will provide Scientific Games with historical and live match data, including an esports scoreboard from Counter-Strike: Global Offensive, League of Legends and Dota 2.

Keith O'Loughlin, SVP Sportsbook Digital for Scientific Games, said: "Esports are growing in popularity by the day. We're thrilled to partner with GameScorekeeper to provide our partners with reliable live match data for the esports that players and spectators love.

"In esports, data is king, and both the players and the audience require

a streamlined feed of information in real-time. Partnering with GameScorekeeper, we'll be able to provide that world-class experience."

Felix Klastrup, CEO and Founder of GameScorekeeper, said: "We are happy there continues to be a high demand for our offer of accurate esports data and that we can now count a highly respected operator such as Scientific Games among our clients.

"In a booming market like esports betting, it's all about gaining a first-mover advantage, and companies who invest in quality data gain exactly such an advantage."

Earlier this month, Scientific Games partnered with Betfred to provide full retail and digital sports betting solutions in Pennsylvania.

The supplier also extended its existing partnership with Flutter Entertainment to include online and mobile sports betting content with FanDuel in the US.

NJ SOARS

New Jersey gaming revenue soared 30.94% year-on-year to \$300.709m for January, aided once again by online gaming and sports betting.

Atlantic City's legacy casino revenue, which factors out sports betting and online gaming, grew a healthy 8.34% and continued a trend of strong revenue growth for gaming states in January.

Ocean continued its strong performance since undergoing a management change in July.

Online gaming hit its fifth straight month of record revenue at \$55.087m, benefiting from cross-selling with online sports betting.

Golden Nugget's online gaming revenue once again beat its legacy gaming revenue.

Sports betting had a record month, with \$53.562m in revenue and \$540.1m in handle.

STATE TOTAL

MARKET/PROPERTY	REVENUE (M)	% CHANGE
Hard Rock	\$24.291	+41.02
Ocean	\$19.740	+39.16
Golden Nugget	\$36.758	+37.21
Resorts	\$40.299	+26.19
Borgata (MGM)	\$68.241	+22.29
Harrah's (CZR)	\$23.661	+9.94
Tropicana (ERI)	\$24.923	+1.52
Caesars (CZR)	\$21.264	-1.95
Bally's AC (CZR)	\$11.375	-9.94
Casino Total	\$270.553	+22.63
RACETRACKS		
Meadowlands	\$26.473	+277.20
Monmouth Park	\$3.683	+83.89
Racetrack Total	\$30.155	+234.28
NJ Gaming Total	\$300.709	+30.94
Same Store*	\$247.483	+17.35



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LEGACY CASINO GAMING

MARKET/PROPERTY	REVENUE (M)	% CHANGE	TABLEHOLD	
			2019	2018
Hard Rock	\$21.492	+37.97	16.7	4.8
Ocean	\$16.868	+36.21	12.8	15.9
Harrah's (CZR)	\$23.554	+9.55	21.0	17.8
Borgata (MGM)	\$54.684	+8.53	14.5	14.3
Golden Nugget	\$15.005	+2.90	17.9	19.6
Caesars (CZR)	\$17.026	-0.49	10.6	16.1
Resorts	\$12.325	-2.58	14.8	18.6
Tropicana (ERI)	\$20.387	-2.71	11.2	17.5
Bally's AC (CZR)	\$10.719	-11.64	11.4	17.0
Land-based Total	\$192.060	+8.34		
MULTIPLE PROPERTY COMPANIES:				
Caesars	\$55.537	+0.40		

INTERACTIVE

MARKET/PROPERTY	REVENUE (M)	% CHANGE	% SHARE	PARTNER
Borgata (MGM)	\$10.373	+118.71	18.8	GVC, Pala
Resorts Digital	\$11.916	+84.84	21.6	SGMS, TSG
Golden Nugget	\$21.205	+74.10	38.5	PPB, GAN, SGMS
Hard Rock	\$2.463	+51.75	4.5	Gaming Innovation
Tropicana (ERI)	\$4.361	+24.75	7.9	Gamesys
Ocean	\$0.531	+0.10	1.0	GAN
Caesars (CZR)	\$4.238	-7.38	7.7	888, SGMS
Online gaming total	\$55.087	+63.98		
Casino	\$53.254	+67.93		
Poker	\$1.832	-2.69		

SPORTS BETTING

MARKET/PROPERTY	REVENUE (M)	% CHANGE	PARTNER
Golden Nugget	\$0.548	+1,907.95	SBTech/CHDN
Hard Rock	\$0.336	+1,233.33	Gaming Innovation
Harrah's	\$0.107	+421.10	SGMS
Borgata	\$3.184	+370.02	GVC
Meadowlands	\$26.473	+277.20	FLTR, PBH
Resorts Digital	\$15.895	+130.57	TSG/ DraftKings/Kambi
Ocean	\$2.341	+84.15	WMH
Monmouth Park	\$3.683	+83.89	WMH/Rush St
Tropicana	\$0.175	+76.75	WMH
Bally's	\$0.656	+31.33	SGMS/888
Resorts	\$0.163	-32.64	DraftKings
Sports Betting Total	\$53.562	+185.24	

*Same store factors out Hard Rock Atlantic City sports betting, which launched online sports betting in January and retail sports betting in February.

GUEST COLUMNIST



KOEN VANPRAET
GROUP CEO, PXP FINANCIAL

Vanpraet shares his views on which companies are using new technology to make a profound impact within the gaming sector

The global gaming industry has been growing rapidly in recent years and continues to flourish; it's predicted to be worth more than \$565bn by 2022. That's an increase of more than \$100bn since 2018, which means the industry will grow by more than a fifth in the coming years.

So what are the contributors to the gaming sector's success? Here are the key developments and the leading companies I think have been integral to the industry's growth in 2019; and those that are the ones to watch this year.

1. THE TECH RISE

Since the 1990s, operators have focused their attention on enriching the gaming experience with state-of-the-art technologies, something that remains a key focus to this day. When virtual reality (VR) or live casino became widely available, it gave gaming operators the ability to take the customer experience to the next level, offering more immersive play that replicated the feeling of being at a real casino from the comfort of a user's home.

In recent months, we have seen operators spearhead innovation in VR, bringing back a sparkle to online poker. PokerStars announced the release of PokerStars VR in early 2019, recreating the live poker table experience in brand new ways.

With VR at the forefront of gaming technology, one trend we will see emerge this year is crypto-poker being integrated in VR gaming; all the elements and rules of traditional poker will still apply, only using digital currency to place bets. With all the buzz around digital currencies as a means of payment, it will be intriguing to see this become more mainstream in 2020.

2. PARTNERSHIPS BOOSTING GLOBAL GROWTH

Top gaming companies have placed their focus on the future by strategically partnering up to harness the power of each other's product expertise. Dynamic and innovative companies team up with a shared aim of entering new markets and expanding their customer base.

For instance, a deal was recently penned between 888 and Inspired Entertainment, a major player in interactive and virtual gaming. This gave both companies a chance to raise their profiles in new territories, including Europe and North America, while

enabling customers to enjoy a range of new interactive virtual sports, lottery and casino games.

Similarly, US casino developer Synergy Blue signed a distribution agreement with Jade Entertainment Solutions, allowing the developer to expand its unique arcade-style, skill-based casino games and hybrid arcade wager-based gaming platforms out to the Asian-Pacific markets. Jade Entertainment will support this through both distribution and sales.

3. THE GAMING REVOLUTION

It's easy to spot how gambling and video games come together by taking a closer look at the esports market. Where live football or tennis matches take place on a pitch or a court, with esports the competitions are virtual. As there's no other real differences in the way the games play out, the same kind of gambling usually found on sites like Bet365 is easily transferred to video games.

A prominent player in this market is Esports Entertainment Group, which is known for its exclusive focus on the esports market. The Malta-based company is the only esports gambling company currently on the American stock markets and late last year received a \$1m investment to help grow the company throughout 2020 and beyond.

For more traditional casinos however, the merging of video games and gambling is in the form of 'skill-based' gaming. Slot-machine mechanics are combined with classic score-focused arcade games to incentivise players to keep improving and keep playing.

We've already begun to see a roll-out of these types of machines as early as 2016, with machines styled around arcade games such as Danger Arena and Pac-Man. Synergy Blue is one of the premier creators of original arcade-style casino games.

4. SMOOTHING THE PAYMENT EXPERIENCE

Providing customers with a frictionless payment processor is paramount in creating a positive gaming experience. This is why I am pleased to see so many operators putting payments at the top of their agenda this year. It should be noted security needs to be just as high on operators' agendas though.

As technology advances for gaming and payments processors, so do fraudsters. Operators must be vigilant about security and authentication to reduce the risk of fraud and ensure responsible gaming.

So, the smoother the payment experience, the better, right? Wrong. Customers do want a smooth experience, but they also look for a certain level of friction to open an account. Too smooth and it raises a red flag. Too rough however, and players are likely to lose interest and abandon their purchase.

It's all in striking the balance between the two, while providing a trusted, secure payments process.

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