



WEEK 08

FRIDAY 21 FEB 2020

ANALYSIS: SWEDISH Q4
TALKING POINTS AND
LESSONS FOR THE SGA

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ANALYSIS: SWEDISH Q4 TALKING POINTS AND LESSONS FOR THE SGA

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THIS WEEK

- **Jim Murren to step down as MGM Resorts Chairman and CEO**
- **DraftKings CEO speaks to *GI* about retaining senior SBTech figures**
- **Gambling Commission looking into online maximum stakes**
- **Triplebet accepts temporary suspension of GB license**

GUEST COLUMNIST:

- **Jane Jee, CEO, Kompli-Global**



Last Wednesday was jokingly dubbed “national Sweden day” in the *Gambling Insider* office, as Kambi, Evolution Gaming, NetEnt, Betsson and Kindred Group all posted their Q4 and FY trading updates within 24 hours of each other.

There were fascinating individual talking points amid the array of financial information.

THE SPORTING CALENDAR

An initially striking point was an obvious one: the inevitability of the sports betting calendar affecting operators like Kindred and Betsson, as Kindred CEO Henrik Tjärnström discussed the impact of lower sports betting margins.

Reflecting on Q4, he told *Gambling Insider*: “When we presented our Q3 report, we had Uefa Champions League days where a lot of favourites won. That was when



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THE WEEK IN NUMBERS

Q4-FY SPECIAL

1%

Supplier Scientific Games was only able to report marginal year-on-year growth in 2019 revenue, to \$3.4bn, after suffering a drop for Q4



A\$1.46bn

In H1 revenue generated by operator Crown Resorts (US\$977.8m), a fall of 5% year-on-year

€123m



Full-year revenue for Gaming Innovation Group (\$132.8m), a drop of 23% year-on-year for the supplier

67%

Better Collective's sharp year-on-year rise in revenue, with the affiliate generating €67.4m (\$72.8m) for 2019



the period of lower margins started. So from 22 October until 11 December, the margins were much below the long-term average."

HOW WILL KAMBI FARE POST-DRAFTKINGS?

Elsewhere, Kambi continues to grow, continues to thrive in the US and continues to generate profit. But, considering the more recent landscape of industry M & A, there is some invisible fine print at play with Kambi's financials.

The business' 2019 results essentially represent the shape and make-up of Kambi's business while it remains partnered with DraftKings. Having announced the acquisition of rival sports betting supplier SBTech in December however, DraftKings is assumed to be parting company with Kambi at some point in the near future.

Kambi CEO Kristian Nylén is currently working towards that assumption, although speaking with *Gambling Insider* at ICE London, he said the provider's US business will still grow quicker than its European arm.

WHEN WILL THE SWEDISH MARKET RECOVER?

More than one year on from Swedish re-regulation and it would be an understatement to say the market has experienced a few growing pains.

Issues in Sweden were a main feature in quarterly results for a number of companies throughout the year, and last week we learned this trend would continue into Q4.

In light of these difficulties, what are some of the lessons the Swedish Gambling Authority (SGA) can take from this first tumultuous year?

CREATING A DIALOGUE

Last year saw a number of operators fined or warned by the SGA for breaching regulation and, although regulatory infringements are an inevitable part of any adjustment period, the number of appeals against these penalisations is significant.

Out of the 18 fines dished out by the SGA during 2019, 17 companies chose to appeal the decisions.

Speaking with *Gambling Insider* last year, Betsson Group CEO Jesper Svensson insisted more of an open dialogue between the SGA and operators was necessary to reduce the number of these inflictions – although he insisted he remained hopeful for the future.

If the SGA is aiming to ensure compliance this year, it can learn from 2019 by creating a clear dialogue with licensed operators – something perhaps lost in the speedy process of re-regulation. But how willing will the regulator be to adapt here?

INCREASING CHANNELISATION

In October 2019, the SGA lowered its channelisation estimations for H2 to 85-87%, also seeming to backtrack on the original figure of 91% for H1 as potentially inaccurate.

Since then, declining channelisation rates have been addressed by a number of operators.

Speaking with *Gambling Insider* at ICE London 2020, Tobias Fagerlund, CEO of Global Gaming, suggested the SGA can increase channelisation rates by not issuing licenses or certificates to gaming suppliers who provide games for both licensed and unlicensed operators in Sweden.

Meanwhile, speaking on a panel at ICE, Betsson Group CEO Svensson insisted advertising can be a vital way for a potential customer to distinguish between licensed and unlicensed gambling sites. In this sense, he believes plans to further limit gambling advertising in Sweden could do more harm than good.

This is a factor the SGA should certainly take into account moving forward in 2020, but it must also ensure it is honest and open with licensed operators on any progress made in increasing channelisation rates.

After all, licensed operators are not the enemy.

SEK 8.58bn

The annual revenue of Svenska Spel (\$880m), which represented a 2% drop for the operator



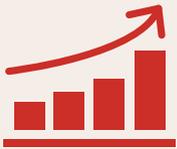
€1.96bn

In 2019 revenue for Française des Jeux (\$2.12bn), a 9% year-on-year rise for the operator



9%

Year-on-year revenue rise for operator LeoVegas for 2019, to €356m (384.3m)



JIM MURREN TO STEP DOWN AS MGM RESORTS CHAIRMAN AND CEO AFTER 12 YEARS IN ROLE

MGM Resorts International has announced Chairman and CEO Jim Murren is stepping down.

Murren took the role of CEO in 2008, having joined MGM in 1998, and was instrumental in the development of CityCenter, MGM's expansion in Asia and the growth of Las Vegas' entertainment and sporting landscape.

With his contract previously due to expire on 31 December 2020, MGM confirmed Murren will leave his role earlier than planned, although he will stay on until a successor is appointed.

Murren said: "Leading MGM Resorts has been the most rewarding and fulfilling experience in my professional career.

"It has been an honor to work with such a talented group of men and women who provide millions of guests with memorable life experiences every day all over the world."

The operator's share price initially rose after it reported the change in leadership and also published its full year and Q4 results.

That increase came despite MGM withdrawing its 2020 financial targets, due

to headwinds like the coronavirus-related closure of its Macau casinos.

MGM's Q4 results, meanwhile, were "below expectations," with net revenue growing 4% year-on-year to \$3.2bn and adjusted EBITDAR decreasing 3% to \$682m.

However, for the full year, MGM's net revenue still grew 10% to \$12.9bn.

Net income attributable to the operator was \$2bn for 2019, compared to \$467m in the corresponding period, and adjusted EBITDAR increased 6% to \$3bn.

Murren's exit will set MGM back a considerable amount in fees. According to reports, he will receive a continuation of his current \$2m annual salary, a \$4m cash fixed bonus at the end of 2020, a \$7m equity award and a \$12m severance payment.

Additionally, the outgoing Chairman and CEO will reportedly receive \$6.9m in consulting fees, which comes to a \$31.9m total for his exit package.

Murren has signed a non-compete agreement through the end of 2022, one year after his consulting period ends.



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THE WEEK IN QUOTES

"It's a pivotal time for sports betting and online gaming providers. Scientific Games' solutions provide us with the flexibility that is key to our growth strategy in the UK and Europe. We're pleased to continue to use their products that will be provided on a flexible and modular basis to power our shared success in the years to come."

Ulrik Bengtsson, CEO of William Hill, after his company and Scientific Games agreed to extend their partnership for an additional four years

"During 2019 we worked hard to reduce complexity in the group, be more efficient and adapt to the changes taking place in the gaming industry. In parallel with this we have enhanced the attraction of our product through new functionality and greater personalisation. We have entered 2020 with a good starting point, with an increasingly efficient organisation and many ongoing initiatives surrounding product innovation and brand expansion."

Gustaf Hagman, LeoVegas CEO, on the company's Q4 2019 results

DRAFTKINGS CEO: WE INTEND TO KEEP SBTECH SENIOR MANAGEMENT ON BOARD

DraftKings CEO Jason Robins intends to keep SBTech's senior management figures at the company once the two firms have merged, although he admits it is as much up to them as DraftKings' side of the organisation.

The operator announced it will acquire sports betting supplier SBTech in December, in a deal financed by Diamond Eagle Acquisition Corporation – which intends to change its name to DraftKings Inc – and worth an estimated \$3.3bn in market capitalisation.

Robins will lead the merged organisation as CEO but wants Richard Carter, SBTech CEO since February 2016, and his team to remain at the firm.

He told *Gambling Insider*: "Post-close, we're in a process now of meeting everyone and figuring things out.

"Our intent is to keep the majority if not all the management team

in place. Part of that is up to them, so we'll have to talk to everybody and figure out what their plans are."

Carter was another "very important piece of glue" during M & A negotiations, according to Robins, helping bring all the relevant teams together.

The DraftKings CEO explains: "He did a lot of the analysis. He helped us with a lot of the diligence, helping us understand their technology and financials.

"He has a lot of experience breaking down businesses and looking at financial statements."

DraftKings' merger with SBTech will be examined in-depth in the cover feature of *Gambling Insider's* March/April magazine. The feature includes exclusive interviews with Robins, SBTech Non-Executive Chairman Gavin Isaacs and SBTech US President Melissa Riahei.

"We are excited about the expansion of our international relationship with IMG Arena into the US. The NHL has taken a progressive approach to sports betting and this live-game streaming opportunity with IMG Arena provides another innovative touchpoint for fan engagement."

Steve McArdle, NHL EVP of Digital Media and Strategic Planning, after IMG Arena secured the rights to provide US sports betting operators with live streams of select out-of-market NHL games

"We made great strides in developing the best games, attracting industry talent and improving capital structure. I'm confident we have the right team in place to reach our goal to be the market leader across land-based gaming, lottery, sports and digital gaming; driven by leading content and the platforms that enable play anywhere and anytime."

Scientific Games President and CEO Barry Cottle, after the company reported a 1% year-on-year rise in revenue for 2019

TAKING STOCK

SHARE PRICES COVER THURSDAY 13 FEB TO THURSDAY 20 FEB (12PM GMT)

IGT
14.49 USD  0.4%

Newgioco
4.00 USD  3%

Catena Media
30.52 SEK  -12%

Better Collective
91.00 SEK  9%

Gaming Innovation Group
5.44 NOK  16%

GAMBLING COMMISSION CONSIDERING CAPPING ONLINE MAXIMUM STAKES

The Gambling Commission is considering limiting the maximum stake allowed for online casino games to £2 (\$2.61), its CEO Neil McArthur has revealed.

A decision on whether to introduce a limit is expected before August, which was mentioned by McArthur when he addressed the Gambling-Related Harm All Party Parliamentary Group (APPG).

Share prices fell from British operators in response to the news, with William Hill dropping by 7% to £1.81 and GVC Holdings falling by 7% to £8.66.

This follows a report from the APPG last November, which called for online stakes to be reduced to be in line with land-based fixed-odds betting terminals (FOBT), which were cut to £2 last April.

This came despite the innate differences between land-based and online gaming.

A spokesperson for the Gambling Commission said: "We said last October we would be looking at online stake limits

as part of our ongoing work to reduce the risks of gambling related harm.

"This work is in addition to us focusing on VIP practices, advertising technology and game design. We will publish our assessment and next steps for online stakes and further protections later this year."

The decision to cut FOBT stakes from £100 to £2, which was announced in November 2018, has seen many operators lose out.

William Hill reported a loss of £64m in the first half of 2019, while announcing last summer its plan to close 700 betting shops.

This latest news follows a busy period for the Gambling Commission in terms of regulation.

In recent times it has strengthened online age and identity verification requirements, and banned the use of credit cards to gamble in the UK, effective from April.

TRIPLEBET BOOSTING COMPLIANCE AFTER TEMPORARY GAMBLING COMMISSION SUSPENSION

Operator Triplebet, which runs the Matchbook sports betting exchange, has accepted the Gambling Commission's temporary suspension of its license in Great Britain, following a two-year review.

Gambling Insider understands Triplebet engaged the services of Alvarez & Marsal to improve compliance last year, with the subsequent recommendations being implemented as part of a phased programme.

The progress report has been shared with the Commission, although Triplebet has accepted the suspension of its license until the final recommendations are put in place.

The suspension is the result of a hearing at the end of January; Triplebet's review took place in late 2019.

Areas highlighted by the operator's report included the fair treatment of customers, the establishment of a compliance committee, daily screening for players that may be

politically exposed people and the establishment of a new responsible gaming algorithm.

A Triplebet spokesperson told *Gambling Insider*: "Triplebet takes its responsibility as a betting and gaming operator very seriously and accepts the Commission panel's findings following a two-year review.

"Triplebet believes compliance goes to the heart of offering a betting exchange product, and through the introduction of new policies and the establishment of a compliance committee Triplebet has shown it is committed to achieving any standard of compliance required of it.

"Last year, Triplebet engaged a third-party compliance specialist to elevate its standard of compliance beyond what is required by the Commission. Over the coming weeks, these recommendations will be completed in full and an independent audit will be carried out with a view to the license being reinstated."

PA RISES

Pennsylvania generated \$302.844m in gaming revenue in January, eclipsing \$300m for the first time. That beat New Jersey's gaming revenue of \$300.709m for January.

Pennsylvania's results were aided by new gaming options like sports betting, online gaming, slots at truck stops and daily fantasy sports.

Those gaming options added almost \$40m in revenue. The state would have grown 3.39% without them. Sports betting handle almost beat \$350m for January, with online making up almost 90% of that.

Presque Isle and Valley Forge reported online gaming revenue for the first time.

Revenue from slots at truck stops grew 26.85% to \$1.115m vs. December for the fifth consecutive month. Fantasy sports revenue fell 2.44% from last year, to \$2.065m. FanDuel had 46.52% of market share, while DraftKings had 50.67%.

TOTAL PA GAMING

MARKET/PROPERTY	REVENUE (M)	% CHANGE
South Philly Turf Club (Greenwood)	\$0.502	+446.10
Valley Forge (BYD)	\$29.870	+58.52
Mount Airy	\$17.712	+41.31
Lady Luck Nemacolin (CHDN)	\$2.629	+35.59
Rivers Philadelphia (Rush Street)	\$31.888	+20.21
Mohegan Sun	\$19.546	+19.37
Hollywood (PENN)	\$21.440	+17.53
Presque Isle (CHDN)	\$10.046	+14.68
Parx (Greenwood)	\$55.504	+13.28
Rivers (Rush Street)	\$34.511	+10.67
The Meadows (PENN)	\$20.966	+9.46
Harrah's Philadelphia (CZR)	\$21.315	+2.88
Wind Creek Bethlehem	\$38.253	-2.85
The Oaks (Greenwood)	\$0.097	N/A
PA Gaming Total	\$302.844	+16.94
Same Store*	\$260.774	+1.52

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LEGACY CASINOS

MARKET/PROPERTY	REVENUE (M)	% CHANGE
Lady Luck Nemaconlin (CHDN)	\$2.629	+35.59
Mount Airy	\$15.017	+19.81
Mohegan Sun	\$18.495	+12.95
Presque Isle (CHDN)	\$9.720	+10.85
Parx (Greenwood)	\$52.344	+5.74
Rivers (Rush Street)	\$32.022	+5.58
Hollywood (PENN)	\$18.855	+5.00
Harrah's Philadelphia (CZR)	\$21.096	+2.33
Valley Forge (BYD)	\$11.517	+2.12
Wind Creek Bethlehem	\$38.253	-2.85
Rivers Philadelphia (Rush Street)	\$25.000	-5.39
The Meadows (PENN)	\$17.919	6.45
Legacy Casino Total	\$262.866	+3.39

SLOT REVENUE

MARKET/PROPERTY	REVENUE (M)	% CHANGE
Lady Luck Nemaconlin (CHDN)	\$2.340	+44.09
Mt. Airy	\$11.650	+18.39
Presque Isle (CHDN)	\$8.630	+12.98
Mohegan Sun	\$15.842	+11.72
Parx (Greenwood)	\$35.856	+8.09
Valley Forge (BYD)	\$8.602	+7.93
Rivers (Rush Street)	\$25.047	+7.12
Hollywood (PENN)	\$16.057	+6.06
Harrah's (CZR)	\$16.152	+3.76
The Meadows (PENN)	\$15.622	+1.59
Rivers Philadelphia (Rush Street)	\$14.533	-0.54
Wind Creek Bethlehem	\$19.981	-6.37
Slot total	\$190.312	+5.82

TABLE GAMES

MARKET/PROPERTY	REVENUE (M)	% CHANGE
Mt. Airy	\$3.367	+24.99
Mohegan Sun	\$2.653	+20.96
Wind Creek Bethlehem	\$18.272	+1.32
Parx (Greenwood)	\$16.487	+0.96
Rivers (Rush Street)	\$6.975	+0.38
Hollywood (PENN)	\$2.798	-0.72
Harrah's (CZR)	\$4.943	-2.07
Presque Isle (CHDN)	\$1.090	-3.58
Lady Luck Nemaconlin (CHDN)	\$0.289	-8.24
Rivers Philadelphia (Rush Street)	\$10.467	-11.39
Valley Forge (BYD)	\$2.915	-11.89
The Meadows (PENN)	\$2.297	-39.18
Table total	\$72.554	-2.49

SPORTS BETTING

MARKET/PROPERTY	REVENUE (M)	% CHANGE	PARTNER
Rivers Philadelphia (Rush Street)	\$3.768	+3,124.52	Rush St/Kambi
South Philly Turf (Greenwood)	\$0.502	+446.10	Greenwood/Kambi
Rivers (Rush Street)	\$2.929	+191.66	Rush St/Kambi
Parx (Greenwood)	\$3.148	+149.22	Greenwood/Kambi
Harrah's (CZR)	\$0.220	+112.03	CZR/SGMS
Hollywood (PENN)	\$0.180	-36.67	PENN/WMH
Valley Forge (BYD)	\$12.300	N/A	BYD/FLTR
The Oaks (Greenwood)	\$0.097	N/A	BYD/FLTR
Presque Isle (CHDN)	\$0.337	N/A	CHDN
Mount Airy	\$1.557	N/A	TSG
Mohegan Sun Pocono	\$0.690	N/A	Kindred
The Meadows (PENN)	\$5.852	N/A	DraftKings
Sports betting total	\$31.580	+776.08	N/A

ONLINE GAMING

MARKET/PROPERTY	REVENUE (M)	% CHANGE
Rivers Philadelphia (Rush Street)	\$3.550	Rush St
Parx (Greenwood)	\$1.645	Greenwood/GAN
Hollywood (PENN)	\$2.405	PENN/TSG
Mount Airy	\$3.480	Kindred/TSG
Mohegan	\$0.786	Kindred
Presque Isle (CHDN)	\$0.010	CHDN
Valley Forge (BYD)	\$2.081	FLTR
Online gaming total	\$13.958	N/A



JANE JEE

CEO, KOMPLI-GLOBAL

Jee looks at how British gaming companies can protect themselves from money-laundering breaches

Authorities, regulators and supervisors of regulated entities are thankfully stepping up their efforts to punish those guilty of a lack of care in preventing financial crime and, in the case of the Gambling Commission (GC), problem gambling.

The GC is one of the most aggressive and effective supervisors of businesses regulated under money laundering legislation in the UK. An example of this is that while other supervisors have yet to do so, the GC published its guidance on the 2019 regulations – The Money Laundering and Terrorist Financing (Amendment) Regulations 2019 – on the day they came into force (10 January 2020).

With such a strong stance, it comes as no surprise the GC has previously fined one of the leading gambling operators for failings in its controls both against money laundering and to prevent harm to customers through excessive betting.

The GC highlighted the example of a customer who lost £98,000 (\$128,000) and had asked the company to stop sending promotions. Additionally, another customer spent £1.5m over nearly three years, during which time they logged onto their account on average 10 times a day for one month and lost £64,000 in one four-week period.

The fines handed out by the Gambling Commission are a clear indication the gaming sector has not avoided penalties for AML breaches and is under pressure to improve.

However, as the gaming sector has embraced digital technologies in its customer-facing operations, one feels compelled to ask: Why has it not adopted the latest technology in its compliance processes?

ERADICATING THE SCOURGE OF MONEY LAUNDERING

Financial crime, money laundering and fraud – they're the main issues at play here, both as the end stage for criminal activity and helping to fuel it. Therefore, for the good of both the company and society as a whole, uncovering and preventing financial crime is vital.

Part of the problem is fraudsters always look to exploit the weakest links in the system. One example of this is taking advantage of gaps in customer due diligence. Criminals use

all methods at their disposal, including innovative technologies, to remain undetected.

They use increasingly complicated methods to legitimise criminal proceeds and these methods are very difficult to detect unless the right technology is deployed to defeat them. What doesn't help is that many operators are failing to search all the necessary data.

Using outdated and inefficient manual search processes risks missing key information about customers. Companies on the front line, such as operators, often bear the brunt of both the financial and reputational damage on their businesses from such crimes.

With that said, it is encouraging the GC is increasingly advocating the use of technology to achieve a 'single customer view.'

Earlier this month, experts from the gambling and technology industries met to make progress on creating a single industry-wide solution to help reduce gambling harm, in particular where customers have multiple online accounts.

STRENGTHENING DEFENCES STARTS WITH COMPLIANCE

Firstly, compliance must be a priority for all businesses.

Additionally, at the heart of preventing criminal infiltration of a regulated entity is know your customer (KYC).

For many operators, KYC is wrongly seen as just an identity and age-verification process. In fact, for true regulatory compliance, operators are required to search for and confirm any potential links with bad actors or with high-risk regions, companies and individuals suspected of criminal activity.

These searches are critical to determine whether customers are likely to be at risk of "problem" gambling behaviour or involved in actual or suspected criminal activity. Once they have this mindset, they can look at the market to assess the best precautions and technology they can utilise.

Regulatory technology (RegTech), for example, covers a huge range of technologies which can enable better due diligence of customers, safer onboarding, as well as better transaction monitoring. Software also enables continuous refinement and improvement to always remain ahead of criminal activity.

WORKING SMARTER, NOT HARDER

Compliance breaches, such as those fines handed out in 2019, mean bookmakers need to keep progressing their financial crime programmes to make better use of their compliance budgets and resources.

This is the only way to keep on top of criminal activity, minimise the risk of fines and, ultimately, reduce fraud losses and damaging publicity. No excuses.

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