WEEK 09

FRIDAY 28 FEB 2020

WILLIAM HILL CEO EXCLUSIVE: 50-50 SPLIT BETWEEN UK AND INTERNATIONAL REVENUE "NOT UNREASONABLE" LONG TERM

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THIS WEEK

- Gavin Hamilton becomes NetEnt Group COO
- Caesars reports over $1bn net loss for 2019
- Spain to look at strict advertising regulation
- Genius Sports exec talks to *GI* about player loyalty at Euro 2020

GUEST COLUMNIST:

- Stuart Tilly, CEO, Argyll Entertainment

WILLIAM HILL CEO EXCLUSIVE: 50-50 SPLIT BETWEEN UK AND INTERNATIONAL REVENUE "NOT UNREASONABLE" LONG TERM

William Hill has reported a 2% year-on-year fall in full-year net revenue for 2019, to £1.58bn ($2.05bn).

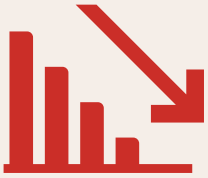
Despite the drop, the operator has labelled 2019 a "well-executed year of transition," with April's reduction of maximum stakes on fixed-odds betting terminals from £100 to £2 certainly having a significant impact on the company.

William Hill was also comparing a 52-week period to a 53-week period for the year prior.

Adjusted operating profit from existing operations fell 37% to £147m, although this was "ahead of management expectations."

THE WEEK IN NUMBERS Q4-FY SPECIAL

SEK 412.1m



Global Gaming revenue for the full year 2019, down 55% year-on-year ($42m)

888Poker has continued its sponsorship of the World Series of Poker for a sixth consecutive year

27%

The year-on-year rise in Boyd Gaming's revenue for 2019, to $3.33bn

2024

Golden Nugget has extended its partnership with Scientific Games until 2024 and potentially beyond

This stemmed from exceptional charges and adjustments of £134.1m, primarily in relation to the closure of shops and redundancies.

Overall, William Hill reported a statutory loss before tax of £37.6m, with UK revenue falling 13% to £1.2bn.

However, US net revenue increased 38% to £126.4m, while revenue from the rest of the world rose 71% to £257.4m.

William Hill CEO Ulrik Bengtsson said: "2019 was a year of transition during which we executed on our ambition to diversify internationally, with the acquisition of Mr Green and the continued strong growth of our US business.

"We move into 2020 in a stronger position. Almost a quarter of revenue is now generated outside the UK compared to 15% in 2018."

The immediate market response to the results was a 3% fall in share price to around £1.71.

Following William Hill's FY 2019 trading update, *Gambling Insider* caught up with Bengtsson to discuss diversification, the US market and UK regulation:

The first thing that struck me about William Hill's results was the contrast between UK and international. You said almost a quarter of revenue is now generated outside the UK compared to 15% for 2018. Ideally, what percentage would you aim to get this to within the next few quarters?
In our online business, it's actually 35%. We haven't set a specific number but we do have a very clear ambition of growing and continuing to diversify.

In the long term, can you see that being a 50-50 split or is it too early to say?
It's not unreasonable, with the pace of US growth. We added $1bn in wagering in the US last year. With the way the business is developing, and if we can get our international business to work, I don't think that's an unreasonable number.

You mentioned a 24% nationwide market share in the US and one in every four US sports wagers being taken through William Hill. But considering the performance of DraftKings and FanDuel, do you have any specific plans to grow considering that competition?
Well I think no one can match 24% across the US. Obviously, that varies in various states but I don't think anyone can match 24% nationwide.

Regulatory headwinds have affected 2019's results and you've stated the credit card ban will reduce deposits by a small percentage as well. Are any preparations in place, or are there any concerns for the future, regarding a potential online stake limit in the UK?
I think our industry has always had and will always have regulatory challenges. So there's nothing really new in that context. More specifically, I think we have done a huge amount of work in the last one to two years when it comes to protecting customers, whether it's age verification, source of funds, customer due diligence and the responsible gambling algorithms we have put in place; the consequence of that is proactively reaching out to customers we think need help.

All these things are something you cannot do in a retail environment; you can only do this online. That changes the basis for this conversation. When I was at the House of Lords a couple of weeks ago, my feeling was that there is a real interest in a sensible and evidence-based review of the Gambling Act. These are the sort of considerations that come into that.

You can read our full Q & A with the William Hill CEO here:
https://www.gamblinginsider.com/news/8647/william-hill-ceo-exclusive-50-50-split-between-uk-and-international-revenue-not-unreasonable-long-term

16.2

The number of hectares KN Paradise Cam Ranh's planned integrated resort is expected to cover in Vietnam

29

After House Bill 2638 was passed in Washington, the state is one step closer towards legalised sports betting in its 29 tribal casinos

European football leagues extended partnerships with Genius Sports, Sportradar and Stats Perform for a further three seasons

3

GAVIN HAMILTON BECOMES NETENT GROUP COO

Gavin Hamilton, CEO of Red Tiger Gaming, has become the COO of NetEnt Group to focus on bringing product and commercial business units from both companies into one organisation.

The move will allow for greater collaboration and alignment on commercial priorities and the brands' games roadmap, among other things.

Hamilton will, in addition to the role as COO of NetEnt Group, also remain as CEO of Red Tiger, a position he has held since September 2017.

He was previously the Director of Gaming at Paddy Power Betfair.

Therese Hillman, CEO of NetEnt Group, said: "The acquisition of Red Tiger has proven to present even greater potential than we expected and we would like to initiate a full integration sooner, rather than later.

"Having a Group COO is key for us moving towards full integration and to capitalise on all opportunities. For this role I can think of no one better than Gavin."

Hamilton said: "I am extremely excited to take on this role. Our success in the coming years will be determined by the decisions we make now on how we most effectively leverage our scale, people and technology.

"Closer collaboration will allow us to address the issues we face in increasing regulation and taxes in our core markets and will position us more effectively to take advantage of growth in new markets."

NetEnt acquired the slot provider for an initial £197m ($254.8m) last September, with a further £23m set to be paid in 2022, and released the NetEnt Connect aggregation platform in December.

Red Tiger won Casino Product of the Year at this year's Global Gaming Awards, while Hamilton triumphed in the Chief Executive of the Year category.

$12.4m

The amount Galaxy Gaming spent to purchase online gaming provider PGP

THE WEEK IN QUOTES

"With the upcoming Olympic Games taking place in an Asian time zone, we will expect monstrous traffic during the basketball competition in particular. If the Chinese national team played the star-studded USA team then we could see revenue on a par with the Fifa Football World Cup final. Time zones are always critical whatever the sporting event, as live betting makes up a huge number of the bets we receive."

Le Tou CEO Paul Fox gives** Gambling Insider **his gambling revenue predictions for the Tokyo Olympics this summer

CAESARS REPORTS SLOW GROWTH AND HEAVY NET LOSS FOR 2019

Caesars Entertainment saw low full-year growth for 2019, as net revenue increased 4% year-on-year to $8.74 billion.

Caesars' results will come as little surprise to future owners Eldorado Resorts, with the casino operator knowing it will have significant improvements to make at Caesars following its $17.3bn acquisition of the company.

That transaction is expected to be completed in the first half of 2020, with Caesars' final year in its current form seeing full-year income from operations decrease 16% to $618m.

Equally, full-year net income fell $1.5bn, to a loss of $1.2bn, although non-GAAP adjusted EBITDA was up 4% to $2.41bn.

Despite the removal of its Chairman and CEO Jim Murren, MGM Resorts International achieved both far higher growth and revenue for 2019, rising 10% to $12.9bn.

However, Q4 brought low growth for both MGM (net revenue rose 4% to $3.2bn) and Caesars, which only saw revenue rise 3% to $2.17bn.

For the quarter, Caesars' income from operations did grow 77% to $177m, although net income dropped $502m, to a net loss of $304m.

Non-GAAP adjusted EBITDA rose 3% to $583m for Q4.

Tony Rodio, President and CEO of Caesars Entertainment, said: "Caesars Entertainment delivered another quarter of solid operational performance.

"Caesars' results were largely driven by the strong demand at our Las Vegas properties, excellent cost controls and the addition of sports betting in several states which drove increased visitation.

"In addition, our focus on costs and operating efficiencies across the company contributed to the excellent performance."

Caesars' share price was down from $14.06 at the opening of the market on Tuesday to $13.31 following its Q4 and FY release.

Before its update, Caesars signed a partnership extension with Alliance Data.

"While we can lower their fraud and processing costs, we also allow them to engage directly with customers. This gives operators incremental business and new sign-ups. None of the others do this. I would say a bit more innovation from payment providers would be good. There needs to be a step back on just concentrating on making money."

***MuchBetter Co-Founder Jens Bader explains the idea behind using new technology to help solve problems for operators to** Gambling Insider*

"I think there are technical challenges and there are mathematical challenges in providing cash-out. Because in the example where I built cash-out in the first instance, the cash-out was inside a tote pool and I think the difference between a tote pool and a fixed-odds bet is that all of the other bets in the system interact with each other. So pricing a tote cash-out ticket is significantly more complicated than calculating a cash-out on a fixed-odds ticket."

Bernard Marantelli, Colossus Bets CEO, sheds some light with** Gambling Insider **on past difficulties surrounding the use of cash-out

SPAIN TO CONSIDER GAMBLING ADVERTISING RESTRICTIONS

Alberto Garzón, Minister of Consumer Affairs for Spain, has outlined plans to restrict gambling advertising in the European nation.

Garzón is a member of the Unidas Podemos political party which formed a coalition government with the Socialist Party in January.

In its election campaign, the party vowed to protect consumers from the dangers of gambling.

Under the proposed laws, TV gambling advertising will be reduced by as much as 80% and gambling companies will be banned from hiring celebrities to market their products.

Another proposed law will prevent football clubs from selling their shirts to children if they are sponsored by a gambling company.

Proposals also include a ban on marketing offers, such as free bets to new customers, which Garzon says can lead vulnerable groups into gambling.

Garzón added: "The regulation has to be similar to tobacco. We are not regulating the textile sector here, but a sector that has an impact on public health."

According to government data, online betting by Spaniards almost tripled between 2014 and 2018 to €17.8bn ($19.2bn), and the Spanish gambling lobby estimates the nation's gamblers lose around €10bn per year, 0.8% of its GDP.

In November last year, Spain's online gambling operators agreed to a voluntary advertising code as the government threatened to impose tighter restrictions.

The voluntary code included the addition of responsible gambling messaging in all advertisements and a ban on depictions of famous athletes participating in gambling.

Garzón's new suggested laws will be discussed by the cabinet before being put to parliament.

TAKING STOCK

SHARE PRICES COVER THURSDAY 20 FEB TO THURSDAY 27 FEB (12PM GMT)

Caesars Entertainment	12.95 USD	-11%
William Hill	164.00 GBP	-14%
Boyd Gaming	27.55 USD	-21%
Global Gaming	5.07 SEK	-9%
NetEnt	25.80 SEK	-13%

GENIUS SPORTS MEDIA EXEC: CULTIVATING LOYALTY VITAL FOR EUROS SUCCESS

Josh Jolliffe, Sales Director – Europe and Africa at Genius Sports Media, believes operators should focus on creating loyalty among customers to combat churn during this summer's Uefa European Football Championship (Euros).

The tournament runs from 12 June to 12 July, and will be hosted across the continent for the first time in its history. Host cities include London, with Wembley Stadium the stage for the final, while Germany, Spain and the Netherlands are among the 11 other countries to be putting on games.

Jolliffe told *Gambling Insider* there would be a high likelihood of churn during the football tournament if "the right retention strategy isn't in place."

He said: "Cultivating loyalty for as long as possible will be one of the main challenges to overcome, made harder by the fact most punters have multiple accounts and are subject to new sign-up offers on a daily basis."

Jolliffe explained how creating engaging marketing campaigns could help operators maintain the interest of players throughout the Euros.

By combining knowledge of their player base with in-play data and tournament statistics, Jolliffe believes operators can ensure sportsbooks stay "relevant and appealing," allowing them to make the most of the highly anticipated sporting event.

He said: "We think the answer is in creating campaigns that stay relevant for the entire tournament, which means customising your creative execution for each market and being as engaging as possible to your local target audience.

"Most marketing teams will plan their pre-tournament campaigns well ahead of time but we've learned over the years how important it is to adapt your marketing strategies based on match results and in-play events."

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LA RISES

Louisiana gaming revenue grew 4.73% year-on-year for January. That growth was the Bayou State's best since August 2018.

Results benefited from double-digit growth at six casinos, led by Penn National's L'Auberge Baton Rouge.

Caesars had a strong month of combined property growth at 8.59%.

SHREVEPORT/BOSSIER CITY

MARKET/PROPERTY	REVENUE (M)	% CHANGE
DiamondJacks (Legends)	$2.886	+12.82
Sam's Town (BYD)	$5.879	+11.65
Horseshoe (CZR)	$14.180	+10.65
Louisiana Downs (CZR)	$3.610	+6.28
Margaritaville (PENN)	$11.687	-4.41
Boomtown (PENN)	$3.926	-4.73
Eldorado (ERI)	$7.775	-4.82
SP/BC Total	**$49.943**	**+2.86**

LAKE CHARLES/VINTON

MARKET/PROPERTY	REVENUE (M)	% CHANGE
Golden Nugget	$25.210	+15.9
L'Auberge (PENN)	$23.910	-0.72
Delta Downs (BYD)	$13.709	-5.16
Isle of Capri (ERI)	$6.951	-7.97
LC/Vinton Total	**$69.780**	**+2.86**

NEW ORLEANS

MARKET/PROPERTY	REVENUE (M)	% CHANGE
Fair Grounds (CHDN)	$4.043	+11.78
Harrah's (CZR)	$24.442	+7.26
Treasure Chest (BYD)	$8.769	+5.78
Boomtown (PENN)	$9.478	+1.20
NOLA Total	**$46.732**	**+6.06**

DATA CENTRE

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BATON ROUGE/CENTRAL LA

MARKET/PROPERTY	REVENUE (M)	% CHANGE
L'Auberge (PENN)	$13.167	+24.63
Hollywood (GLPI)	$4.338	-1.82
Evangeline Downs (BYD)	$6.212	-3.21
Belle (ERI)	$2.205	-9.45
BR/C.LA Total	**$25.922**	**+8.75**

ELSEWHERE

MARKET/PROPERTY	REVENUE (M)	% CHANGE
Amelia Belle (BYD)	$3.603	+6.17
Routes, Truck Stops, OTBs	$52.070	+5.92
State total	**$248.049**	**+4.73**

MULTIPLE PROPERTY COMPANIES:

MARKET/PROPERTY	REVENUE (M)	% CHANGE
Caesars	$42.232	+8.29
Penn National	$62.168	+2.99
Boyd	$38.171	+0.92
Eldorado	**$16.932**	**-6.75**

GUEST COLUMNIST

STUART TILLY
CEO, ARGYLL ENTERTAINMENT

Tilly, whose company operates the SportNation.bet sportsbook, reflects on the toughest year he has witnessed in the gambling industry

After 15 years working in the gambling industry, I've been through a fair few ups and downs and seen a lot of change across the globe. But I genuinely believe 2019 was the harshest year, in terms of operating climate, I've ever experienced in the UK.

It seemed like the market was hit with the perfect storm of regulation, tax, commercial squeezing and negative publicity. Everything just seemed to hit at once. While some of the pressures were a long time in the making and not entirely without a degree of industry culpability, to have all these external factors bear down at the same time made for a very harsh operating climate over the course of 2019.

From a regulation point of view, we saw a much tougher stance from the Gambling Commission on enforcement, with a plethora of large fines handed down to operators for historic failings in anti-money laundering and responsible gaming processes, and several licenses were suspended or revoked.

While the underlying intention of the enforcement action was to encourage a greater degree of urgency in raising industry standards in this regard, an initiative the industry is widely supportive of, the sheer scale and volume of punishments undoubtedly created a cold wind of uneasiness.

In tandem with the enforcement action, we saw a regulatory tightening of the market with the reduction in fixed-odds betting terminal (FOBT) stakes from £100 ($128.76) to £2, new age verification requirements brought in and stricter measures to ensure operators provide customers with a safer gaming environment.

Again, it's difficult to argue any of these measures were unwarranted. But the impact of incorporating multiple initiatives obviously had an operational knock-on effect and the significant costs associated with maintaining such high thresholds of compliance was not necessarily easy to absorb.

This was no better demonstrated than numerous operators deciding (or being forced) to close their doors to the UK market over the course of the year.

Dealing with the stricter regulatory climate might have in itself caused a sharp and deep in-take of breath, but regulation was not the only pressure the industry faced during 2019, as operating margins squeezed from other angles.

The increase in remote gaming duty from 15% to 21% was brought in from April. Meanwhile, a new battleground for data rights emerged, with Betgenius snapping up exclusive rights to, among other things, English Premier League data, resulting in increased data licensing fees for operators.

The horseracing industry also announced its intention to vary its commercial model for data licensing (in an attempt to recoup lost revenues from closing betting shops – largely as a result of the FOBT stake reduction), charging on a turnover basis as opposed to a fixed fee, again squeezing operating margins.

Just to compound matters, all the while the industry was coming to terms with the new regulatory and commercial reality in the UK, it was having to do so within a whirlwind of negativity being stirred up by mainstream media. It seemed like every time I visited the BBC News website last year or opened a broadsheet paper, there was some form of anti-gambling article whipping up a storm of negativity.

The most frustrating part of this was a lot of the articles were based on erroneous or misrepresented facts and a healthy degree of bias and sensationalism – which is a shame as it often meant the credible and noteworthy points were lost.

So all in all, 2019 was the toughest I remember, certainly in the UK. While I believe the eye of the storm is beyond us however, with 2020 bringing a levelling off of some of the pressures faced during 2019, I still believe there is more to come.

We already know a ban on credit card gambling will come into effect and a possible restriction on online casino stakes, together with a wider review of the Gambling Act, is coming.

Enforcement action will certainly continue (and already this year we've seen Matchbook and MoPlay fall foul of this), the battleground for data rights is only going to intensify and gambling advertising, specifically football sponsorships, will undoubtedly face ever-increasing scrutiny over the course of this year (again, not unreasonably so).

But I believe standards across the board have improved significantly and the industry is now on a much firmer base to counter the pressures it will continue to face. If you survived 2019, 2020 should not hold any fear, provided operators continue to put the customer's enjoyment and safety at the forefront of operating methods; and continually seek to improve processes and standards across all aspects of their business.