GI FRIDAY

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WEEK 19

FRIDAY 14 MAY 2021

OPERATOR ROUND-UP: WYNN RESORTS, DRAFTKINGS, PENN NATIONAL AND BALLY'S REPORT Q1 REVENUES

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THIS WEEK

- **New Crown CEO; new merger too?**
- **Wynn Interactive to go public**
- **Record sports betting handle in Illinois**
- **Q1 results for IGT and Scientific Games**

GUEST COLUMNIST:

- **Nick Arron, Solicitor, Poppleston Allen**

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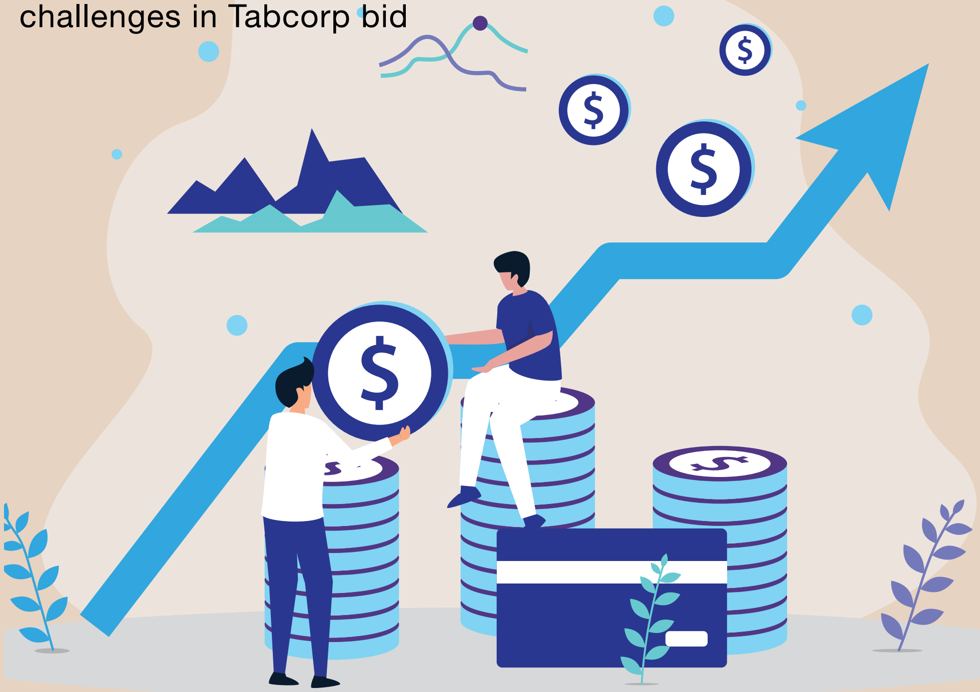
Apollo agrees $1.5bn deal with Lottomatica, but faces challenges in Tabcorp bid



GI Friday rounds up several US Q1 reports, as four big-name operators publish their financials, demonstrating varying degrees of success

WYNN RESORTS

Wynn Resorts reported first quarter 2021 operating revenue of $726m, down 24% year-on-year.

Net loss for the quarter was $281m, compared to net loss of $402m over the same three-month period the prior year.

Adjusted Property EBITDA was $59m across all operations but was -$22.1m in Las Vegas.

Wynn Resorts said the drop in Las Vegas figures was related to $56.4m of expenses accrued during the quarter to pay US employees salary, tips, and benefited for the period of April 1 through May 15, 2020, when casinos were shut down.

Las Vegas operating revenue for the quarter was $179m, down 45% year-on-year. Wynn Macau saw revenue of $180m for a 22% decrease from Q1 2020, while Wynn Palace generated $237m of revenue, down 9% annually.

Encore Boston Harbor revenue was down 8% to $130m.

Wynn Resorts ended the quarter with cash or cash equivalents worth $2.89bn and current and long-term debt outstanding of $11.95bn.

Wynn CEO Matt Maddox said: "Retail revenues in the month of April were the second-best month on record. From 2005 till April of 2021 is the second best month on record. And what's even more encouraging and much more than a green shoot, but a clear indication of the roaring consumer that's coming back, our slot revenues in April were $25m, which was a property record in the history of Wynn Las Vegas."

DRAFTKINGS

DraftKings has announced its first quarter 2021 earnings report, which reveals the company made a 175% year-on-year increase in revenue to $312m.

During the period, the company had 1.5 million monthly unique paying customers and on average they engaged with DraftKings each month during the fourth quarter, a 114% yearly increase.

Due to the successful start to the year, DraftKings will be raising its full year 2021 revenue guidance, from $900m/$1bn to $1.05bn/$1.15bn.

This will be a 16% increase in comparison to the midpoint of its previous guidance.

DraftKings will also be announcing the rollout of social functionality to its daily fantasy sports and mobile sportsbook apps, allowing fans to interact with each other using a peer-to-peer environment.

DraftKings CEO Jason Robins said: "We continued to make progress and remain on track with the migration to our own in-house proprietary sports betting engine; we strengthened our content and technology capabilities with the acquisitions of VSiN and BlueRibbon Software."

PENN NATIONAL

Penn National Gaming generated $1.27bn in revenue for Q1, a 14% year-on-year growth for the US operator.

Net income was also up to $90m, as opposed to a $608m loss for the corresponding period in 2020, with casinos coming to a total shutdown in March 2020 due to the Covid-19 pandemic.

Adjusted EBITDA was just over double year-on-year, though, reaching $336.6m during a quarter CEO Jay Snowden naturally lauded for its success.

The CEO said: "Penn National kicked off the year with record results in Q1 2021 from our land-based business and the launch of our online Barstool Sportsbook in Michigan and Illinois."

Focusing on Penn National's Barstool Sports partnership, he added: "Equally exciting was our inclusion in the S&P 500 in March, which underscores the investment community's confidence in our digital transformation and our position as the nation's largest regional gaming operator.

"This milestone is a testament to the hard work, determination and commitment of all our team members at the property and corporate levels, as well as our valued partners at Barstool Sports."

Naturally, however, Snowden pointed out there is still work to do to reach Penn National's 2019 revenues.

Q1 2021 was slightly down on Q1 2019 for the operator, although remaining Covid-19 restrictions will naturally have impacted its land-based businesses in this respect.

BALLY'S CORPORATION

Bally's Corporation has reported income of $29.5m for the first quarter of 2021, the company's strongest quarter since Q2 2019.

Adjusted EBITDA was $52.5m, a 138% increase from the same period in 2020, while net loss was $10.7m, an increase of 21%. Diluted loss was $0.30 per share, compared to diluted loss of $0.28 per share for the comparable period in 2020.

Revenue for the quarter was $192.3m, a 76% increase from the prior-year period. The group said such revenue was achieved due to a rise in consumer confidence and a reduction in Covid-19 restrictions.

Also positively impacting revenue was the incremental revenues of Casino KC, Casino Vicksburg, Bally's Atlantic City and Eldorado Shreveport, which were acquired in the second half of last year.

"This was a remarkable first quarter for Bally's," said Bally's Corporation President and CEO, George Papanier.

"As Covid-19 vaccinations rolled out, we experienced a strong rebound in demand that led to a significant increase in visitation."

THIS WEEK IN NUMBERS

€38.8m

Revenue for Better Collective for the first quarter of 2021 ($47m), an 86% rise from the prior-year period

$217m

Gaming revenue for Ohio's 11 casinos and racinos in April, breaking the state's monthly record

$11.13bn

Commercial gaming revenue reported by the American Gaming Association for Q1 2021, matching the industry's highest-grossing quarter ever

37%

Year-on-year increase in revenue for Full House Resorts for the first quarter of 2021

$1bn

In lifetime sports bets for Tennessee, becoming the quickest state to reach the milestone

APOLLO AGREES $1.5BN DEAL WITH LOTTOMATICA HOLDING, BUT FACES CHALLENGES IN TABCORP TAKEOVER

International Game Technology (IGT) has successfully sold all of the share capital in its Italian B2C gaming segment, Lottomatica Holding, to Gamenet Group, the funding subsidiary of Apollo Global Management.

The sale was agreed through a cash purchase price of €950m ($1.15bn). €725m of the total was paid at closing and €100m will be paid later in the year in December. Meanwhile, the remaining €125m is payable in a year's time.

IGT says it will be using the funds received to pay transaction expenses and reduce debt.

Apollo, however, may have effectively obtained all of Lottomatica Holding but is facing challenges in its bid to acquire Tabcorp's Wagering and Media arm.

Apollo has made a $2.7bn bid for Tabcorp's gaming branch, though analysts feel it may not be enough to persuade those within the industry.

Due to Apollo's weaker gaming and racing experience, MST marquee gaming analyst, Rohan Sundram, told the Sydney Morning Herald it would be difficult for the company to gain support within the industry. This stems from the fact Apollo's main competition in this particular M&A race comes from Entain.

Not only is Entain one of the biggest operators in the world, with decades to its name of gaming experience, it is also an M&A machine that has acquired a number of different firms over the years.

Since Tabcorp also has strong relations with Australian state racing bodies, it may reject the takeover as retailing and betting licences will still need to be negotiated. There is sentiment among analysts that Tabcorp partners will want to prioritise an owner they feel will be an industry leader within the field.

The episode may bear resemblance to Apollo's bid for William Hill's US assets, with William Hill instead being taken over by Caesars Entertainment.

In support of Sundram, Evans and Partners analyst, James Fuller, agreed that the racing industry will affect Apollo's bid.

He says that, unlike Entain, Apollo does not have local or global wagering operations that can be used to enhance the value of Tabcorp's wagering and returns.

GI Verdict: It remains to be seen whether Apollo will be successful in its Tabcorp takeover bid. But so far analysts aren't convinced, leaving Entain in pole position.

Apollo may have negotiated strongly with IGT but failing to takeover William Hill doesn't bode well for the company. Losing out to Caesars Entertainment may just be foreshadowing a similar occurrence, where Entain arrives and lands the Tabcorp deal.

Apollo will be hoping its proposal is sufficient enough to obtain Tabcorp, even though the company has been actively involved in sportsbook management. Indeed, it does have some experience and knowledge of the gaming industry, as just last year it acquired Great Canadian Gaming Corp.

To build on this, Apollo also announced that together with affiliates it had the funds to enter into a definitive agreement to acquire The Venetian Resort, Sands Expo and Convention Center Operating Company in Las Vegas.

Perhaps making more moves in the gaming industry will be sufficient enough for Tabcorp and its partners to realise the potential and desire Apollo possesses?

Certainly, acquiring IGT's Italian gaming segment is a step in this direction. Currently, the Italian market is experiencing significant growth, despite the fact the industry somewhat cried wolf over the gambling advertising ban implemented in 2019. Success there would make a statement.

33%

Quarter-on-quarter increase in gaming revenue for Resorts World Manila, from Q3 to Q4 2020

100%

MGM Resorts International has been permitted by the Nevada Gaming Control Board to return to full gaming floor occupancy at its Las Vegas properties

$109m

In revenue for Michigan's three commercial casinos for April 2021, a 3% decline from March

CROWN APPOINTS NEW CEO, RECEIVES MERGER PROPOSAL FROM STAR ENTERTAINMENT

Crown Resorts has received a merger proposal from The Star Entertainment Group, and has appointed Steve McCann as its new CEO and Managing Director.

The Star Entertainment Group has submitted a conditional, non-binding, indicative proposal to merge with Crown, offering 2.68 of its own shares per Crown share. The merger would create a company worth AU$12bn (US$9.4bn).

The Star estimates its shares are worth about AU$5, which could potentially mean AU$14 per Crown share. There's also a cash alternative of AU$12.50 per Crown share, subject to a cap equal to 25% of Crown's total shares on issue.

The merged entity would aim to deliver between AU$150m to AU$200m of cost synergies per annum, with an estimated net value of AU$2bn.

According to the announcement released by Crown, the operator is still considering the merits of the merger proposal, adding: "It will now commence a process to assess the merger proposal, having regard to the value and terms of the proposal and other considerations."

McCann, meanwhile, has been appointed Crown's new CEO and Managing Director, subject to regulatory approvals.

Currently Group CEO of real estate and investment group Lendlease Corporation Limited, McCann will retire from the board on 31 May 2021, joining Crown effective 1 June 2021.

He said: "I am looking forward to joining Crown at a crucial time for the organisation and see a real opportunity to help drive significant shareholder value, as the company addresses its challenges."

GI Verdict: Crown may consider itself fortunate to have received such an offer from The Star, given the group's regulatory failings and misconduct in recent years.

The operator may take its time to weigh up the proposal, but it will certainly rely heavily on the expertise of the newly appointed McCann, who brings plenty of experience to Crown, having previously worked in senior leadership roles at ABN AMRO and Bankers Trust.

THE WEEK IN QUOTES

"This summer, I leave Kambi after five years service. I'm excited to very soon share the news of the iGaming platform I'll lead as CEO. Thank you those of you who have reached out to wish me good luck with this news, I'll certainly be in touch with you soon. Kambi has some of the brightest minds in the industry and a wonderful culture.""

Kambi CCO Max Meltzer has announced he will leave the supplier this summer, taking on a CEO role at a new online gaming platform

"I am thrilled to be taking over as CEO and look forward to leading the company as we scale the business. We have a talented and experienced team here at Luckbox, and I am confident we can build on the excellent work done so far under Quentin's leadership, to make Luckbox a world-leading esports betting destination."

Thomas Rosander on taking over from Quentin Martin as CEO of Luckbox

WYNN INTERACTIVE ENTERS INTO AGREEMENT WITH AUSTERLITZ ACQUISITION CORPORATION I

Wynn Resorts' online division, Wynn Interactive, will become a public company after entering an agreement with Austerlitz Acquisition Corporation.

The combined company will retain the name Wynn Interactive, and is expected to have an enterprise value of approximately $3.2bn at closing. The company will name and relist its shares on the Nasdaq Stock Exchange under the ticker symbol WBET.

"I am excited to be a partner and future owner of Wynn Interactive," said Austerlitz I Founder William P. Foley, II. "I'm optimistic about the future of US online casino gaming and sports betting, and am confident in the ability of CEO Matt Maddox and the Wynn team to execute the business plan."

Wynn Interactive currently has access to 15 US states, covering approximately 51% of the population.

Maddox, CEO of Wynn Resorts and Chairman of Wynn Interactive, said: "We are confident this transaction will unlock the tremendous potential of Wynn Interactive to further accelerate growth and enable the business to capture the massive opportunity in North America. Bill Foley is the ideal partner to ensure continued success – his track record with business combinations, extensive experience growing marquee consumer brands and partnering to maximise value in businesses like ours will be invaluable as we scale."

GI Verdict: The public company announcement from Wynn arrived on the same day it delivered its first quarter results, but it was the former that dominated the headlines, not least because Austerlitz is controlled by Vegas Golden Knights owner Foley.

It's certainly another aggressive move from Wynn, with the operator making its intentions clear when it comes to being the leader in gaming in North America. But has it reacted quickly enough to challenge online gaming's front runners in the US?

> *"This acquisition provides Sportradar with the opportunity to widen its data and content offering. With cricket being one of the most popular sports in the world, we see this as a growth opportunity for the company, especially given the significance of the sport in the Asian region."*
>
> ***Sportradar CEO Carsten Koerl after the company entered into a definitive agreement to acquire Australian sports data and technology company InteractSport***

> *"This licence confirming our operations in New Jersey marks our landfall in the US, and we're extremely excited and eager to progress our US activities for our operator partners. Entering a new market such as the US demands 20:20 visibility on keeping players safe and enjoying igaming entertainment responsibly. Without the players, our industry is nothing, so we must ensure they remain the focus of our activities with a sustainable approach."*
>
> ***Enteractive CEO Mikael Hansson after the company was granted a licence from the New Jersey Division of Gaming Enforcement***

ILLINOIS SPORTSBOOKS SET RECORD HANDLE OF $634M IN MARCH

Illinois sportsbooks reported March handle of $634m, a new record.

March handle shattered the previous record of $582m set in January and was up 24% from February's total of $510m.

Revenue also set a state record at $49.9m, edging out January's win of $49.4m. Sportsbooks benefited mightily from the NCAA Tournament, despite no wagering on in-state programs.

Illinois' handle was the third-highest in the nation behind New Jersey and Nevada. March was the second straight month that Illinois edged out Pennsylvania for the No. 3 spot.

Online wagering made up 96%, or $609m, of the month's handle, while retail generated another $25m.

The growth in online wagering may be halted by Gov. J.B. Pritzker's decision to end remote sportsbook registration. The executive order allowing mobile signups was not extended past March, meaning Illinois bettors must create sports wagering accounts in-person at retail sportsbooks.

DraftKings/Casino Queen enjoyed the last full month of remote registration, generating $208m of handle to lead the state. Approximately $204m, or 98%, of their March handle came online.

FanDuel/Fairmont was right behind with $195m of wagers, 99% of which was bet online. Bet Rivers/Rivers Casino was a distant third with handle of $107m, including $96m online.

GI Verdict: It comes as no surprise that American sportsbooks are reporting strong figures this year, by combining the effects of the pandemic and growth of gambling in the US; it's created the perfect storm for operators in America. Just this month, Tennessee became the first state to surpass the $1bn mark for lifetime bets.

In fact in April alone, sportsbooks in Tennessee amassed $172.4m, which was actually low in comparison to March's total of $205.9m. Illinois and several other key US markets are experiencing a similar gold rush. With higher numbers every month, where is the ceiling?

TAKING STOCK

SHARE PRICES COVER THURSDAY 6 MAY TO THURSDAY 13 MAY (2.15PM GMT)

Company	Price	Change
IGT	20.07 USD	▲ 14%
Scientific Games	53.49 USD	▲ 1%
Penn National	76.10 USD	▼ 9%
Bally's	51.91 USD	▼ 8%
DraftKings	42.11 USD	▼ 19%

SUPPLIERS IGT AND SCIENTIFIC GAMES REPORT Q1 RESULTS

International Game Technology PLC on Tuesday said its income from continuing operations and adjusted EBITDA were among the highest levels in company history during the first quarter, a three-month period ending March 31.

Net income attributable to IGT was $92m, compared to a net loss of $248m in the prior-year period.

The company said quarterly revenue grew 25% YOY, to more than $1bn, from $814m in Q1 2020.

IGT attributed the revenue increase to what it termed "outstanding" performance in its global lottery division, along with continued recovery in its global gaming area, which included acceleration in digital and betting activities.

Global lottery revenue was $749m, up 48% YOY, driven by 32.4% growth in same-store sales.

Income from continuing operations was $138m, while adjusted EBITDA was $450m. IGT said these figures were achieved thanks to revenue momentum and structural cost savings.

Meanwhile, for rival scientific Games, consolidated revenue for Q1 2021 was $729m, an increase of 1% from the $725m in revenue in the same quarter the prior year.

SG said its lottery, SciPlay and digital businesses delivered double-digit revenue growth as it drove customer engagement with its content. However, gaming revenue "continued to be impacted" by casino restrictions and closures, particularly in Europe.

The company slashed its quarterly net loss to $9m from $155m in Q1 2020. Barry Cottle, president and CEO, attributed this improvement primarily to the company's gaming business segment receivable credit allowances, inventory and goodwill impairment charges.

GI Verdict: There appears to be a clear split between lottery (success), digital (success) and land-based casino (struggle) over the past year.

While Scientific Games' revenue growth has been stagnant, IGT has bucked its trend of recent years – driven primarily by its lottery performance worldwide.

DATA CENTRE

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APRIL REVENUE REPORT: MISSOURI

April gaming revenue rose 23.22% from 2019 in the state of Missouri.

Casinos may operate at full capacity but some locations are subject to local restrictions.

There is no year-over-year comparison to 2020 due to COVID-19 closures last year.

MULTIPLE PROPERTIES	REVENUE (M)	CHANGE FROM 2019 (%)
Affinity	$8.430	+122.75
Century Casinos	$12.656	+54.48
Caesars	$42.215	+30.53
Boyd	$46.370	+20.69
Penn National	$51.963	+4.50

MARKETS		
Kansas City Metro Total	$61.705M	+25.50%

TOTAL GAMING	REVENUE (M)	CHANGE FROM 2019 (%)
St. Jo Frontier (Affinity)	$4.517	+257.66
Century Casino Caruthersville (CNTY)	$5.385	+77.33
Casino KC (BALY)	$9.943	+74.69
Mark Twain (Affinity)	$3.913	+55.19
Cape Girardeau (CNTY)	$7.272	+41.03
Isle of Capri - Boonville (CZR)	$8.441	+36.21
Lumiere Place (CZR)	$16.552	+28.55
Ameristar KC (BYD)	$19.436	+22.37
Harrahs NKC (CZR)	$17.222	+19.95
Ameristar SC (BYD)	$26.933	+19.50
Argosy (PENN)	$15.103	+14.10
River City (PENN)	$19.138	+8.25
Hollywood St. Louis (PENN)	$17.721	-5.79
Total	$171.578	+23.22

MARKETS		
**St. Louis	$89.546M	+6.95%

MARKETS		
St. Louis, Missouri	$80.345M	+11.74%

NICK ARRON
SOLICITOR, POPPLESTON ALLEN

Arron discusses the fascinating recent high-profile Football Index case, which saw the operator go into administration, leaving players short of millions cumulatively

The 2005 Gambling Act contains three fundamentals that underpin everything we do when we talk about gambling regulation. Namely, ensuring the prevention of crime and disorder, ensuring the protection of children and young people, specifically those under 18 and those who are vulnerable, and ensuring that gambling is fair, transparent and open for both consumer and operator.

I've been a solicitor for 15 years and it's telling that the Football Index case is the first time in my career that I've seen the Gambling Commission take action on the basis primarily because a product hasn't been fair and open, as opposed to its usual interventions driven by a bid to prevent crime and disorder, or to protect the vulnerable. I've never seen a business fail to this extent in this area with so many serious consequences for customers and unintended for the industry.

The Football Index collapse is close to home with its sponsorship of Nottingham Forest football club, just a stone's throw away from the Poppleston Allen office. The commercial deal with a major football club was an indication of the operator's intention to reach a sports betting audience using the advertising strategy of a sports betting product; but packaged as an altogether more sophisticated enterprise which ultimately masked the true risks involved.

Mismarketing of a product of this nature should not happen again; and it's worth bearing in mind that the extensive and deliberate marketing strategy serves as a stark reminder that the foundation for a crisis of this nature to potentially unfold was laid by Football Index itself a long way out.

As we know, a key requirement of the Advertising Codes when marketing gambling products is that they do not suggest gambling can be a solution to financial concerns, an alternative to employment or a way to achieve financial security. The criticism that Football Index was advertised as an

“It is clear that before the results of the official enquiry are made public, the gambling industry should brace itself for greater scrutiny, especially new entrants offering more creative products. I’m already aware of difficulties being experienced by operators, which is a concerning new trend”

investment and not a gambling product had been levelled at the firm from early on in its operation, as far back as 2015; but during that time it was presented to users as an opportunity to play the stock market as opposed to another sports betting activity, when in reality it is a gambling product – with the biggest clue of all being the regulation by the Gambling Commission and the Gambling Act of 2005. The marketing drive, pitching it as an entirely different proposition opposed to pure gambling, gave customers a false sense of confidence in their ‘investments’ in comparison to football bets that had a far more familiar sense of risk against reward.

We all know the refrain ‘investments can go up as well as down’ applies in the square mile, just as well as on the football pitch and that there’s still volatility within a stock market. But clearly there is far more volatility within gambling and, most importantly of all, a greater appreciation of this by the customer, again underlining the unfairness in terms of how Football Index attempted to position itself in comparison to other betting and gaming products.

Sadly, for anyone reading who is personally at a financial loss, it looks unlikely that there will be full repayment of monies owed. We cannot say for sure what the answer of any case against Football Index will be and while customers may have a contractual claim with the operator. If Football Index doesn’t have sufficient funds, there’ll be insufficient money to claim. In terms of blame, it falls solely and squarely at the feet of Football Index and the operators of the product; and serious questions must be asked of its openness and transparency with customers and the Gambling Commission alike.

Whilst the focus to date has rightly been on customers who have lost funds, there’s another point to consider in terms of the impact on an industry already fighting on several fronts. With this fallout being poorly timed not just in terms of the Gambling Act review, by government – but the simple perception of our industry in the court of public opinion, where betting and gaming’s right to be seen as a positive stakeholder within football is increasingly coming into question.

Already it is clear that before the results of the official enquiry are made public, the industry should brace itself for greater scrutiny, especially new entrants offering more creative products. One of our clients, with a similar business model, has already been approached by the Gambling Commission. Be warned that this won’t just come from the Gambling Commission either – with other parties including banks also likely to think for longer about who they offer services to on the proviso that for some, the industry is slipping further into toxic territory.

I’m already aware of difficulties being experienced by operators of new and innovative products – even based on far safer commercial grounds e.g. pool betting – in terms of previously simple actives like opening business banking facilities; which is a concerning new trend especially for the UK industry as a hotbed of R & D.

However, anyone with ideas for more imaginative betting products should not be disheartened if they are prepared to do their due diligence from a commercial and regulatory standpoint. While customers clearly enjoy approaching betting from a different perspective, the fallout from this case means that one small silver lining should be the continued development of such products. But only in the instance that they meet strict criteria in terms of sustainability and transparency, respecting the age old contract of fairness between bettor and operator.

Nick Arron is a solicitor and lead partner in Poppleston Allen’s Betting & Gaming team, with responsibility for for Operating, Personal and Premises Licences under the Gambling Act 2005.

Nick acts for a wide variety of operators from large corporations to single-site operators, including bookmakers, bingo operators, family entertainment centre and adult gaming centre arcades, clubs and gaming machine manufacturers and suppliers. His clients come from both land-based and online sectors and Nick has particular expertise with digital operations.

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