



WEEK 03

FRIDAY 22 JAN 2021

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GAMBLING COMMISSION AND BGC DISAGREE ON BLACK MARKET THREAT

THIS WEEK

- **Surprise as MGM Resorts withdraws Entain offer**
- **Entain appoints new CEO**
- **G2E Asia slated for August**
- **Senior appointments for GambleAware and Gambling Integrity**

GUEST COLUMNIST:

- **Brian Wyman, SVP, operations and data analytics
The Innovation Group**



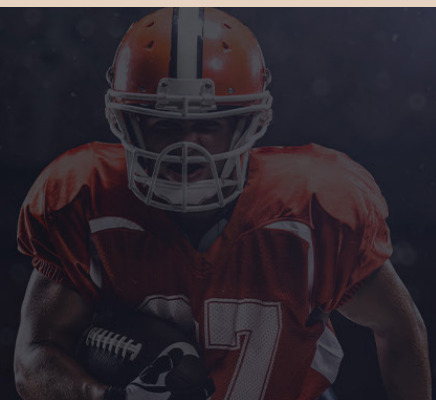
UK gambling firms have been accused of exaggerating the scale of black market betting, in an attempt to fend off tougher legislation from the Government.

The 2005 Gambling Act is currently under review, with several areas of the industry set for changes to help modernise the act.

Leading figures within the gambling industry have been backing a report claiming that 200,000 people in the UK spend £1.4bn (\$1.9bn)



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THIS WEEK IN NUMBERS

46%

Percentage by which online gamblers in Great Britain reduced their spending limits once industry-set options were removed, according to research from the Behavioural Insights Team (BIT)



1 October

New date set for the launch of the online gaming market in the Netherlands, after the Dutch Remote Gambling Act was pushed back a month. The Act will now be enacted on 1 April

85%

Year-on-year decline in visitors to Macau in 2020, with data from the Statistics and Census Service (DSEC) showing a total of 5,896,848 visited the region last year



AU\$400m

Worth for a new hotel and apartment tower under development at The Star Gold Coast Star, according to Entertainment Group



\$53m

Handle taken in by Mississippi sportsbooks for December, representing a 13% year-on-year increase, with revenue up 123% to \$7.8m



on black market sites every year, warning that tougher regulation could result in further customers moving into this dangerous area of unprotected gambling.

But Gambling Commission chief executive Neil McArthur has dismissed the report – written by consultancy PwC – as “not consistent with the intelligence picture,” arguing that it lacks any evidence to show an increase in illicit betting.

In a letter to a cross-party group of MPs examining gambling-related harm, McArthur said: “We know that licensed operators and their trade bodies are concerned about the impact of the illegal market, but our own evidence suggests the impact may be being exaggerated.

“In any event, we are not convinced by the argument that suggests raising standards in the licensed market will prompt consumers to gamble with illegal operators.”

Furthermore, Gambling With Lives, a charity aiming to raise awareness of problem gambling, recently suggested the black market threat is not a legitimate one in the UK, with regulated operators actually failing to protect their customers on a grander scale than supposed illegal brands.

In a letter sent by the charity to UK Secretary of State for Digital, Culture Media and Sport (DCMS) MP Oliver Dowden, the charity said it welcomed the Government’s review of the 2005 Gambling Act but said fears about the black market threat were “scaremongering”.

It drew to the fact the signatories collectively lost £11.9m with 507 regulated gambling site accounts, compared to £113,000 on the black market, as a result of gambling addiction over the years.

The letter, titled ‘We Are The Evidence Too’, went on to say: “If the Government wants to prevent harm, it should be finding ways to raise standards – not excuses to facilitate a race to the bottom.

“The threat of the ‘black market’ has been overstated by the gambling industry, which should not be allowed to use this as an excuse to hold down standards in Britain.

“Because those standards are far too low and the resulting harm far too high from a sector that derives the majority of its profits from people who get addicted.”

The Betting and Gaming Council (BGC) has, however, since responded by launching an animation to highlight the threat that the black market poses, sticking to its core message that regulated operators are indeed safe to gamble with.

Its animation also emphasised the fact black-market operators do not contribute to legal tax revenue in the UK.

GI Verdict: Interestingly, a *Gambling Insider* article last year argued that publicly advertising the specific dangers of the black market could be the best approach for regulated firms, rather than simply repeating the same message over and over. It seems the BGC agrees, although critics will point to the lack of tangible evidence that still remains.

The debate is undoubtedly one that will continue for many and months to come, with both sides firmly putting their points across. *Gambling Insider* subsequently decided to put the question to our readers on social media.

On LinkedIn, a majority voted in favour of the industry. When posed the question “Is the threat of black market betting legitimate or has it been exaggerated by the industry?” 67% ticked the “It is legitimate” option. A total of 33% ticked the box “It is exaggerated by operators.”

On Twitter, the results were slightly different with 55% voting in favour of the option, suggesting the threat has been exaggerated and 45% voted that the threat is legitimate.

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1/3



One of the odds offered by Flutter Entertainment-owned Sky Betting & Gaming on its 'commentator bingo' market for the Liverpool v Man Utd football match, although this was later criticised on social media and by gambling critics

\$3.6bn

Sports betting handle generated in Pennsylvania for 2020, after December's handle increased 60% year-on-year, to \$549m



22 Jan

Date set for online sports betting to go live in Michigan, which will become the fourth state to launch online casino gaming



MGM RESORTS WITHDRAWS ENTAIN ACQUISITION PROPOSAL

MGM Resorts International has decided against submitting a revised offer to acquire Ladbrokes and Coral operator Entain.

The US casino operator submitted a proposal to acquire Entain, formerly known as GVC Holdings, in early January, offering 0.6 shares for each Entain share, and valuing the operator at approximately \$11bn, which would've seen its shareholders retain 42% of the combined company.

However, Entain dismissed the proposal shortly afterwards, saying it believed the offer "significantly undervalues the company and its prospects."

In the interim, Entain CEO Shay Segev announced he will leave to take a co-CEO role at DAZN, although he suggested the MGM Resorts offer had nothing to do with the decision.

Yet, despite being given until 1 February to announce its firm intention to put forward an offer, MGM Resorts has now said it does not intend to submit a revised proposal, after the initial all-stock proposal was rejected, citing limited recent engagement between the two companies.

MGM Resorts CEO Bill Hornbuckle said: "BetMGM, our US sports betting and online

gaming venture with Entain, remains a key priority for the company as we continue to leverage our preeminent physical gaming, entertainment and hospitality platform to expand digitally.

"We believe BetMGM has established itself as a top-three leader in its markets and we remain committed to working with Entain to ensure its strong momentum continues, as it expects to be operational in 20 states by the end of 2021."

After the news broke on 19 January, Entain's share price fell sharply to £12.24 (\$16.66), from £14.06.

GI Verdict: Despite the news, it might not be the last we hear about a potential merger. Gaming industry analyst and SpringOwl Asset Management CEO Jason Ader told *Gambling Insider* earlier this month he expects MGM Resorts to "sweeten its price" to enable a union between the two firms. With that in mind, we should not be surprised by further developments this year and a higher offer from MGM Resorts, to conclude what would be a game-changer for the industry, particularly in the US.

THE WEEK IN QUOTES

“Legalising gambling is not straightforward. Legal casinos need rigorous standards and require supervision and regulation. When a gambling den is brought in line with such standards, some people will be denied access. As a result, they will return to illegal venues. Thailand might end up having both legal and illegal gambling dens, which would be worse than now.”

Stop Gambling Foundation secretary Thanakorn Komkris warns against the legalisation of casinos in Thailand

ENTAIN APPOINTS NYGAARD-ANDERSEN AS CEO

Entain, formerly known as GVC Holdings, has appointed Jette Nygaard-Andersen as its new CEO.

The appointment ensures Entain is the first major UK-listed gambling group to appoint a female boss (although privately owned operator Bet365 is run by Denise Coates).

Nygaard-Andersen was already a non-executive director on Entain's board.

The Danish executive also serves on the board of Coloplast A/S, with previous experience at Accenture and Maersk.

The need for a new CEO comes amid the unexpected resignation of Shay Segev, who earlier this week left Entain to become co-CEO of international sports streaming platform DAZN.

Segev, who took over from Kenny Alexander as Entain CEO in July 2020, now has a six-month notice period and will remain in his role for that period or until a successor is in place.

Entain, operator of a number of global betting brands including Ladbrokes and Coral, is also currently dealing with interest from US casino operator

MGM Resorts International, which earlier this month made a proposed offer for Entain worth \$11bn.

However, as detailed in our story above, the UK-based operator has said the bid “significantly undervalues the company,” prompting MGM Resorts to turn down the opportunity of making a firm bid for the organisation.

GI Verdict: Aside from the global pandemic, it's certainly a busy time for Entain, which was no doubt keen to appoint a successor to Shay Segev as soon as possible.

News has since broken that MGM Resorts decided against submitting a revised offer to acquire Entain, but that decision did not affect Entain's necessity to bring in an experienced leader.

The appointment of the first female to lead a listed UK gambling enterprise certainly keeps Entain firmly in the industry spotlight.

Having already sat on the Entain board, Nygaard-Andersen will be fully aware of the challenges currently facing the operator.

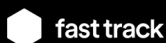
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"We really need to diversify our revenue stream, and that's going to be a big theme in the upcoming session. We're looking at a lot of different strategies to not be at the mercy of the boom and bust of oil and gas."

The views of Senator William O'Neill, co-sponsor of a bill that would convert New Mexico's racinos into fully functioning casinos

"I have been consistent in my message that casinos cause problems and are not a good thing. I do not believe there is any other way to save Yokohama but to become mayor myself."

Yokohama mayoral candidate Masataka Ota on shutting down plans for an Integrated Resort (IR) if he wins the election

G2E ASIA TO TAKE PLACE IN AUGUST 2021 AT THE VENETIAN MACAO

Global Gaming Expo (G2E) Asia, the trade show for the Asian gaming and entertainment industry, will take place at the Venetian Macao on 17-19 August, 2021.

The event is traditionally held in May but has been postponed several times so far in light of the ongoing coronavirus pandemic.

The new date of August 2021 will "allow exhibitors and attendees more time to plan for their participation in light of continued COVID-19-related commercial and travel restrictions," said the event's organisers.

G2E Asia was twice postponed in 2020 due to the pandemic, with the original May date pushed back to July 2020, before being pushed further back to December 2020.

December's event was postponed once again, with a provisional date of May 2021 given for the event. But it has now been decided that August 2021 is the most suitable date for G2E Asia to take place.

"Through ongoing consultation with our stakeholders and the Macau

Government, Reed Exhibitions and the American Gaming Association determined that an August event provides the best opportunity to showcase the calibre of educational content and create the valuable marketplace our industry has come to expect from G2E Asia," a statement read.

"We look forward to bringing the gaming community together at G2E Asia, as the industry continues to recover from the devastating impacts of COVID-19."

GI Verdict: Like the majority of trade shows and exhibitions that were scheduled for 2020, G2E Asia has been forced into several delays due to COVID-19.

Unfortunately for the popular event, the pandemic remains a real threat to the industry, and so even a prospective date of August 2021 will not be a certainty.

Even if G2E Asia does go ahead later this year, it's sure to have a very different look and feel than previous editions as organisers, exhibitors and attendees have to adapt as best and quickly as they can to dramatic changes.

GI HUDDLE

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13 JANUARY TO WEDNESDAY
20 JANUARY (4:00PM GMT)

Entain
1,261 GBp  9%

Elys Game Technology
5.78 USD  6%

Playtech
487.50 GBp  1%

SJM Holdings
1.14 USD  0%

888 Holdings
307.24 GBp  1%

ZOË OSMOND APPOINTED NEW GAMBLEAWARE CEO; CLIVE HAWKSWOOD JOINS GAMBLING INTEGRITY

Zoë Osmond will replace Marc Etches as GambleAware's new CEO at the end of March.

Osmond previously served as communications and engagement director at the gambling charity, while previously holding CEO, managing partner and global business director roles at other companies.

Since 2018, Osmond has been leading GambleAware's Safer Gambling and treatment campaigns, and so has "developed a clear understanding of the opportunities and challenges the charity and sector faces."

Meanwhile, Gambling Integrity has announced that regulatory executive Clive Hawkswood has joined its team in an advisory role.

The consultancy, which helps organisations focus on safer gambling, said it was "delighted to welcome Hawkswood to the team", who will take up the position of executive advisor.

Earlier in January, it was announced that Hawkswood had left his role as the

chairman of affiliate body Responsible Affiliates in Gambling (RAiG), a position he held since its launch in 2019.

Hawkswood brings regulatory experience to Gambling Integrity, after being CEO of the UK's Remote Gambling Association from August 2004 until January 2019, overseeing the development of industry practice and social responsibility.

The new executive advisor will work with Gambling Integrity to develop its Pre-Audit Review (PAR) service, which helps operators conform to regulatory practices before being audited or inspected.

GI Verdict: Both appointments bring experience and expertise in the area of regulation and safer gambling for their respective companies. It was announced last August that Etches was to step down from his role as GambleAware CEO after nearly 10 years.

Hawkswood, meanwhile, will provide years of regulatory knowledge to help Gambling Integrity and the appointment looks to be a particular coup for the firm.



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DECEMBER: PENN SPORTSBOOK RECORD BUT LEGACY DOWN

Pennsylvania iGaming and sports betting revenue jumped to a record in December while land-based casino revenues declined.

iGaming boomed 742 percent year-over-year to \$71.609 million.

Sports betting did not hit a record but more than doubled last year's \$45.344 million thanks in part to the launch of the Barstool Sportsbook with Penn National's Hollywood Casino. Hollywood led all other properties for sports betting.

Sportsbooks handles was \$535.210 million in December.

Fantasy sports revenue dropped 12.34 percent to \$3.012 million. DraftKings took 56.77 percent market and Flutter's FanDuel took 33.55 percent.

Revenue from slots at truck stops was down 8.67 percent to \$802,918.

**Same store excludes Live! Philadelphia, Live! Pittsburgh and iGaming at Wind Creek Bethlehem, whose iGaming operations were not open last December*

ALL-SOURCES REVENUE

CASINOS	DECEMBER REVENUE (M)	ANNUAL CHANGE (%)
Hollywood (PENN)	\$43.229	+109.05
Valley Forge (BYD)	\$27.336	+38.74
Mount Airy	\$12.873	-18.32
Rivers Philadelphia (Rush Street)	\$20.629	-32.93
The Meadows (PENN)	\$10.479	-46.65
Parx (Greenwood)	\$23.582	-56.49
Mohegan Sun	\$7.644	-58.10
Harrah's Philadelphia (CZR)	\$6.151	-70.16
Rivers (Rush St)	\$8.267	-75.92
Presque Isle (CHDN)	\$2.342	-78.19
Wind Creek Bethlehem	\$9.232	-78.85
Lady Luck Nemaquin (CHDN)	\$0.409	-85.49
Live! Pittsburgh	\$2.042	
Total	\$174.216	-40.24
Same Store*	\$171.183	-41.28

LEGACY REVENUE

CASINOS	DECEMBER REVENUE (M)	ANNUAL CHANGE (%)
Parx (Greenwood)	\$16.087	-68.46
Harrah's Philadelphia (CZR)	\$5.986	-70.79
Hollywood (PENN)	\$4.977	-73.63
Valley Forge (BYD)	\$3.282	-73.88
Mount Airy	\$3.294	-74.67
Mohegan Sun	\$3.768	-78.46
The Meadows (PENN)	\$3.597	-79.42
Wind Creek Bethlehem	\$8.641	-80.20
Presque Isle (CHDN)	\$1.881	-82.07
Rivers (Rush St)	\$5.293	-83.44
Lady Luck Nemaquin (CHDN)	0.409	-85.49
Total Legacy Casinos	\$59.256	-77.69
Same Store*	\$59.256	-75.29

**Same store excludes Rush Street International's Rivers Philadelphia.*

DECEMBER: PENN SPORTSBOOK RECORD BUT LEGACY DOWN

SPORTS BETTING

CASINO	DECEMBER REVENUE (M)	ANNUAL CHANGE (%)	OPERATOR
Hollywood (PENN)	\$14.731	+13,020.12	Barstool
The Meadows (PENN)	\$6.882	+218.44	DKNG
Mount Airy	\$2.582	+203.30	FLTR
Mohegan Sun Pocono	\$0.799	+130.62	Kindred
Valley Forge (BYD)	\$12.889	+80.60	BYD/FLTR
Parx (Greenwood)	\$2.473	+48.38	Greenwood/Kambi
Harrah's (CZR)	\$0.165	+33.31	CZR/SGMS
Presque Isle (CHDN)	\$0.298	+18.58	CHDN
Rivers (Rush Street)	\$1.285	+0.56	Rush St/Kambi
Rivers Philadelphia (Rush St)	\$1.285	-37.13	Rush St/Kambi
Hollywood Morgantown (PENN)	\$0.753	N/A	DKNG
Mohegan - Lehigh Valley	\$0.064	N/A	Kindred
Live! Casino Pittsburgh	\$0.030	N/A	FanDuel
Wind Creek	\$0.010	N/A	Betfred
Total Sports Betting	\$45.344	+159.72	
Same Store*	\$44.489	+154.81	

*Same Store excludes Mohegan Lehigh Valley, Live! Pittsburgh, Wind Creek and Penn's Hollywood Morgantown, which were not open last November.

GUEST COLUMNIST



BRIAN WYMAN

*SVP, OPERATIONS AND DATA
ANALYTICS, THE INNOVATION
GROUP*

Sports betting has been a driving force in gaming industry expansion in North America over the last several years, with developments in the United States driving the recent consideration of expansion opportunities in Canada. In 2018,

The Supreme Court of the United States struck down PASPA and opened the door for a sports betting renaissance in the United States. Today, our

neighbors to the north are on the eve of their own sports betting emergence thanks to House of Commons Bill C-13, which would permit single-event wagering and end the parlays-only system that today pushes much of Canadian sports wagering into the gray market.

Like the United States, Canada has federal legislation that supersedes provincial legislation. Currently, single-game wagering is illegal per the Criminal Code of Canada. Gaming is regulated by provinces, where the distribution model is often monopolistic, typically run through the lottery. In Ontario, for example, Ontario Lottery and Gaming (OLG) manages gaming in the province, and the Alcohol and Gaming Commission of Ontario (AGCO) serves as the regulator. OLG provides strategic direction for gaming and contracts with global gaming enterprises to operate casinos within the province. iGaming is emerging throughout Canada, again under provincial lotteries. Sports wagering is offered by provincial operators via parlay cards only, limiting the market. In some provinces, such as British Columbia and Quebec, there is a mobile/online platform for sports betting. In Ontario, players must purchase tickets at a physical lottery outlet.

With this framework in mind, there are three key areas that Canada and its provinces can alter to maximise the sports betting market potential. First, Canada must amend the Criminal Code to allow single-event wagering. With border states such as Michigan and New York launching sportsbooks and threatening nearby Canadian casinos, Bill C-13 seems all-but-certain to pass, eliminating the first major hurdle and providing Canada its own watershed sports betting moment. Second, each province's gaming operator should provide an option for mobile sports betting. Ontario, Alberta, British Columbia, Manitoba, New Brunswick and Quebec already offer interactive slots and table games, and the other Atlantic provinces as well as Saskatchewan have been publicly discussing iGaming strategy in the wake of pandemic-

related closures. Mobile sports betting allows for at-home and in-game wagering, providing an experience that better competes with their established and robust gray market. Lastly, Canadian provinces should consider the effects of shifting to a taxed and licensed or service provider operating model, where the provincial gaming authority issues licenses to or contracts with third-party operators to conduct sports betting operations in the province, by either taxing or sharing in their revenues. This model attracts top-tier operators that will dominate the market by providing best-in-class offerings, odds, loyalty programs, customer service, player protection tools and systems, and more. A competitive environment holds operators accountable to both the players and the regulators, and provides the best opportunity to recapture share from the gray market.

Ontario recently has shared its intent to bring in private iGaming operators under a subsidiary of AGCO to break the existing monopoly.

What does this mean for Canada? Canada's legal and regulated sports betting market was approximately C\$200m (US\$158.5m) in 2019, including interactive. Meanwhile, the Canadian Gaming Association estimates that more than C\$4bn was wagered on offshore gray market interactive sports wagering sites, or another approximately C\$200m in revenue. And a whopping C\$10bn, or C\$500m in revenue, was wagered illegally with bookies within Canada. The Innovation Group forecasts that the legal and regulated Canadian sports betting market can approximate C\$1.9bn, nearly 10x its current volume, within five years.

When PASPA was repealed, Dallas Mavericks Owner Mark Cuban famously remarked that the value of NBA teams doubled overnight. Canadian media, sports teams, leagues, advertisers, restaurants and retail all will benefit from the knock-on effects of sports wagering. As importantly, Canada's already amazing tourist destinations can leverage the added impacts of sports tourism and sports betting tourism – the Las Vegas Convention and Visitors Authority reports more than 300,000 fans come to Las Vegas annually for the Super Bowl. Canada will be able to build off the extensive progress made to date in the United States, where philosophical concerns of leagues and owners, tensions around integrity and data fees, a variety of regulatory and distribution issues, and even tribal sovereignty matters are being resolved. We expect that a thoughtful approach to sports and sports betting will create new draws, new experiences, new jobs, new industries and new tax revenues to fill the ever-widening budget gaps. Canada's gaming industry, like that in the US, will enter a new era of consolidation and partnerships; to effectively meet the seemingly insatiable demand for the integration and experiences that come with sports betting.

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