



# WEEK 31

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## THIS WEEK

- Will Hill: A Tipico takeover?
- \$1bn in July GGR for Macau
  - Double take: Two acquisitions for Paf
  - A defence for Crown Resorts?

### GUEST PANEL:

- GI Huddle – Neosurf Roundtable

## SCIENTIFIC GAMES, CAESARS AND IGT: A GOOD WEEK FOR THE OLD GUARD ▾



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GC Chief Executive clarifies regulator's position in Football Index update ▾

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It's been a great week for casino veterans Caesars Entertainment and IGT, both with exciting announcements of new sportsbook betting apps and Q2 figures that exceeded expectations. And yet it was Scientific Games that stole the show with its acquisition of Lightning Box...

▶ Scientific Games Corporation has acquired Sydney-based slot developer Lightning Box Games.

The acquisition comes as Scientific Games "continues to execute on its vision to become a leading, cross-platform global game company," a statement read.

The two groups have a long-standing partnership, with Lightning Box games already proven performers across Scientific Games' OpenGaming platform in the US, its end-to-end digital ecosystem for operators.

"Lightning Box games are hugely popular with slots players around the world, and we're excited to welcome these talented game designers to our team," said Dylan Slaney, SVP Gaming, Digital at Scientific Games.

"Our strategy is a simple one: talented, passionate people make great games and the addition of the Lightning Box team is another example of this and how we will continue to be the iGaming industry leader."

Lightning Box is currently live with over 50 US, Canadian and European operators, including the likes of William Hill, Betsson, LeoVegas, Unibet, Sky Bet, 888, FanDuel, BetMGM, Golden Nugget, Rush Street.

Peter Causley, CEO and Co-founder of Lightning Box, commented: "Wow, what an amazing opportunity and recognition of our team's efforts. Joining the Scientific Games team and working even more closely with them comes at the perfect time to drive forward our ambitious product innovation plans.

"Having been an OpenGaming partner since its early days, we knew that Scientific Games had the capabilities to propel our games to new heights. We're now in a better position than ever to bring our robust pipeline of high-quality slots more effortlessly to our global online casino partners."

But it was not just a great week for supplier Scientific Games. In fact, it was a strong week all round for the old guard of gaming: including Caesars Entertainment and IGT. Caesars reported Q2 revenue of \$2.5bn, up from \$127m in the same period a year earlier. What a difference a day (and a pandemic) makes...

Adjusted EBITDA increased from \$131m to \$1bn. Caesars reported net revenue of \$855m from its Las Vegas operations, up from \$109m a year earlier. Net income totalled \$71m, after reporting a net loss of \$100m in the prior-year period.

Caesars also unveiled Caesars Sportsbook this week, its new mobile sports betting app. The operator said Caesars Sportsbook combines the company's sports betting assets under one brand, which integrates sports wagering with its loyalty program, Caesars Rewards. The launch is being backed with a multi-million dollar, comprehensive marketing campaign, the operator added.

Caesars Sportsbook is deploying a nationwide advertising campaign with actor-comedian JB Smoove embodying the legendary Caesar. The series of spots also features Patton Oswalt as Carl, one of Caesars' biggest fans, who is playing on Caesars Sportsbook and earning Caesars Rewards.

"We are excited to launch our new comprehensive marketing campaign for Caesars Sportsbook," Tom Reeg, CEO of Caesars Entertainment, said in a statement. "The re-branded and upgraded offerings for our Caesars Sportsbook will provide customised offers, flexible limits, a wide range of betting lines and an intuitive user experience."

Elsewhere, supplier IGT has equally announced some positive news, reporting a 74% year-on-year increase in revenue to over \$1bn in its latest financial results.

During its Q2 update, the provider revealed its global lottery delivered the second-highest revenue and profit levels in its segment history. The group delivered operating income of \$244m, which it says highlighted an "impressive global lottery operating leverage and excellent progress on structural cost savings." Net income totalled \$365m, comprised of a \$39m loss from continuing operations and income from discontinued operations worth \$404m. Adjusted EBITDA increased by 170% to \$442m, which is among the highest in the company's history. During the second quarter, IGT generated \$500m in cash from continued operations and a record-level \$380m of free cash flow during the first half of the year.

Due to the recent results, IGT is now raising its 2021 outlook and expects to surpass 2019 levels for key financial metrics.

**GI Verdict:** It seems an age since a week when the three stalwarts of Scientific Games, Caesars and IGT could report such productivity. The legacy brands of Caesars and IGT are certainly enjoying some form, while if there was one move Scientific Games could make to try and recover some of its mojo, it would be acquiring a together, efficient firm like Lightning Box.

With IGT's second quarter increase nearly at 100%, it shows an accelerating recovery in land-based gaming and an expansion across all fields within the company. Securing strong adjusted EBITDA with digital and betting activities, IGT multiplied a considerable amount of revenue and profit growth... It's no wonder IGT won 'Casino supplier of the Year' at this year's Global Gaming Awards in London. Moreover, the new sports campaign for Caesars is a great way to bring the company back to life. By choosing Smoove, an avid sports fan and comedian for its campaign, the casino ethos and face of the operation adapts to the innovative ways of many before with online mobile sportsbooks and betting apps. Caesars is producing that much needed natural oomph of vitality, all the while bringing a little something more to the table (and I'm not talking about salad dressing).

# THIS WEEK IN NUMBERS

## 19.4%

Rise in total group net revenue for SJM Holdings year-on-year, to HK\$5.22bn for the first half of 2021



## \$1.3bn

In profit generated from The Pennsylvania Lottery during the last financial year



## €57m

Generated in revenue for Bet-at-home for H1 2021, a 9% drop year-on-year



## \$25

Will be donated to the International Center for Responsible Gaming for every "all access pass" purchased for G2E



## \$374,000

In recorded adjusted EBITDA by Tapinator, for its H1 2021 results



## GC CHIEF EXECUTIVE CLARIFIES REGULATOR'S POSITION IN FOOTBALL INDEX UPDATE

► Gambling Commission interim Chief Executive Andrew Rhodes has taken to social media to clarify the regulator's level of involvement with the ongoing proceedings regarding Football Index.

Football Index, a betting offering whereby players could trade shares in professional footballers akin to the stock market, suspended business in March this year following a huge exodus of customers and investors, as a result of the company's decision to cut dividends on players from 14p to 3p (\$0.04).

As a direct result of that decision, many customers lost thousands of pounds overnight, with Football Index then going into administration and having its licence suspended by the Gambling Commission.

The Gambling Commission provided an update on the situation at the end of June, saying it remains in close contact with BetIndex and its Football Index platform, and that the company remains in administration.

A new update has now arrived in the form of a series of statements from Rhodes, who took to Twitter to address concerns directly. Rhodes was announced as the body's interim Chief Executive in June following the departure of Neil McArthur.

There had been hopes of a Company Voluntary Arrangement (CVA) to reimburse customers who lost money, but Rhodes has now said the Gambling Commission cannot help determine if this is a feasible option, as it is a matter for the administrators as opposed to the regulator.

"I had lots of quite angry and sometimes abusive messages late last night, about Football Index," Rhodes said on Twitter. "Much of it was similar to previous messages and, as I have always said I read them all, even the rude ones, and I respond to what I think I can.

"Why no CVA? A CVA may or may not happen – it is not something the GC is involved with and would not be. It's between the administrators and any potential investor/buyer to set up a CVA. If a CVA does happen, then they will likely

make an 'offer' for the debts the company has, which would be your bets as well as any other debts. This does not mean you would get all your original stake back – it depends on what they offered. Then the CVA would need to apply for a licence to operate from us, which we would be obliged to consider.

"I have never said 'I dunno' what the bets are worth, as one person said. They need to be valued by the administrators. There are several ways of valuing the debt and while many feel this should be the original stake, there are several ways of looking at it. Realistically, this will be part of attempting a CVA and if there is no ultimate rescue for the company the debt would need to be valued as part of winding a company up."

Rhodes continued by saying he cannot comment on certain matters involving the investigation, including the date the review into Football Index will be published.

"Many have asked me questions about individuals, what I know about the flow of funds, what we will do in certain scenarios etc – I can't comment on live investigations or individuals while matters are ongoing," he explained.

"I also don't correct assumptions people make which I think are wrong for the same reason. There are some things I simply cannot get into at this point. Some have asked why the review is not out yet. That is not being conducted by the GC so all I know is that it is due in the summer, but I don't have a date yet."

**GI Verdict:** Rhodes went on to say he fully expects the abuse directed towards him and the Gambling Commission to continue. Such abuse should be condemned by all within the industry. But frustration will more than likely grow upon this update, and is to a degree understandable.

It is clearly a very intricate issue, and customers have every right to be angry, especially those with large sums of money at stake. It is a battle that looks set to continue in the coming months.

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## \$234.9m



Increase in June wagers for Virginia's sportsbook betting, a 4% increase in May's figures – according to its Lottery Data figures

## 4



The Gambling Commission has extended the timeline for Phase Two of the Fourth National Lottery licence competition, adding a total of 10 weeks



## \$9.2m

in revenue generated by FanDuel in Indiana for June, almost all of which was online

## A TIPICO TAKEOVER: £1.5BN PLAN TO ACQUIRE WILLIAM HILL'S EUROPEAN ASSETS

Tipico Group is one of several suitors in line to buy William Hill's European betting shops and joins the race to take control of its online operations for over £1.5bn (\$2.09bn).

The German gaming group is among the bidders hoping to take the reins of the gambling giant's high street assets.

It will be up against rivalry from operators and investment firms: Apollo Global Management, 888 Holdings and Betfred, in the competition to acquire the British bookmaker.

In 2016, Tipico was bought by CVC Capital Partners – a private equity and investment company – and could have its potential bid funded as its majority owner.

Tipico has been labelled as a "credible" offer for William Hill, which was acquired by Caesars Entertainment in a £2.9bn deal, concluding one of the largest mergers in modern gaming history.

Since the acquisition of William Hill by Caesars, it is now aiming to sell the company alongside its operations outside of the US, and has hired Deutsche Banking advisor to

initiate an auction. The expectation is to exceed the eventual price of £1.5bn due to the high interest.

With William Hill's large European footprint, the brand carries a major presence in markets such as the UK, Italy and Spain.

As for Tipico, this acquisition could prove to be an exceptional opportunity at the right time, with the newly re-regulated German gambling market offering fresh licensing possibilities for sports betting.

**GI Verdict:** It seems that Apollo, which was perceived to be leading the way to gain the non-US assets, has strong competition. Other companies like Entain and Advent International have also shown interest in the company, although Advent may be shying away from the race.

Tipico's CVC acquisition not only means the operator has strong financial backing to close a deal, but also makes its bid stronger due to CVC's former relationship with William Hill.

In 1999, the private equity firm acquired William Hill from Terra Firma Capital Partners.

## THE WEEK IN QUOTES

*“We delivered a strong second quarter, driven by robust demand and productivity efforts across our domestic portfolio. Our Las Vegas Strip and regional operations adjusted property EBITDAR margins reached all-time records and our regional operations also delivered an all-time quarterly record in adjusted property EBITDAR.”*

**Bill Hornbuckle, MGM Resorts International CEO, on the operator's successful Q2 financial update**

*“Products and services powered by the fastest, most accurate and reliable data will reinforce BCLC's competitive advantage and help Canada fulfil the massive potential of its sports betting market.”*

**Mark Locke, Genius Sports CEO, on the announcement that the company has secured a multi-year agreement with the British Columbia Lottery Corporation (BCLC)**

## MACAU REPORTS \$1BN GROSS GAMING REVENUE FOR JULY

The Gaming Inspection and Coordination Bureau (DICJ) has announced that Macau's gross gaming revenue (GGR) rose 29% month-on-month for July.

The agency reported the total for July was MOP8.44bn (\$1.05bn), This is also a 528% year-on-year increase.

July was Macau's second-best month after May, with MOP10.4bn, while June was the weakest month this year. The fluctuating figures coincide with the travel restrictions to and from Guangdong province, which provides a great number of players for Macau.

The region was particularly impacted by the pandemic during the first three quarters of last year; in 2021, total GGR grew 64% to MOP57.4bn. Analysts expect Macau's GGR to improve in the second half of the year, as pandemic restrictions in Macau and neighbouring regions should ease.

However, lately, Macau has faced additional challenges when it comes to travel outside the region. Due to an

outbreak in Nanjing, authorities have stated that all air travellers visiting Macau starting from 31 July will need to have a negative nucleic acid test, taken within 48 hours of their departure.

There are also quarantine measures for visitors from several Chinese provinces, Hong Kong and Taiwan. But it's widely believed that it's unlikely Macau's casinos will be forced to close their doors. In February of last year, casinos were forced to close for 15 days to help stop local transmissions. This year, the city will likely rely on testing and vaccinations, as well as stricter border control and quarantine measures.

**GI Verdict:** As previously discussed on *GI Friday*, huge year-on-year revenue increases are virtually guaranteed given the pitfalls of last year. The up-and-down nature of the numbers from May through July, however, will still worry stakeholders in Macau.

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*“G2E is a must-attend event for industry leaders looking to experience and learn the latest trends in gaming.”*

**Korbi Carrison, G2E's Event Director, on the return of the event at the Sands Expo and Convention Center in Las Vegas, this October**

*“SpinX is the fastest-growing company in the genre. With this acquisition, Netmarble has added the social casino genre to the main role-playing game genre. We expect this to strengthen our competitiveness in the global market.”*

**Paul Zhang, CEO of SpinX Games, on Netmarble's purchase of SpinX after acquiring Leonardo Interactive Holdings**

## PAF EXPANDS WITH SPEEDY SWEDISH ACQUISITIONS

Åland Islands-based operator Paf has acquired two Swedish-licensed gaming brands, Speedy Ltd and Speedy Originals, from Hero Gaming.

The two brands operate Speedy Casino, Speedy Bet and Speedy Spel.

“We want to grow in Sweden and we have a determined ambition to be a leading player in the Swedish licensed market,” said Christer Fahlstedt, Paf CEO.

The operator will introduce its universal loss limit of €20,000 (\$23,750) per year on the new sites. The branding of the sites, meanwhile, will remain the same.

“We do not have an interest in taking over the gaming sites unless their customers are largely at a gaming level we accept. But of course, customers will notice that we value responsible gaming very strongly, to the same level of responsible gaming that we have on Paf's other gaming sites,” explained Fahlstedt.

The deal will set Paf up as one of the six largest gaming operators in Sweden, a position the group has been

deliberately seeking.

“This acquisition shows that we have faith in the future of the Swedish market and we also have the capacity to acquire the companies that strengthen us,” Fahlstedt said.

CEO of Hero Gaming, Tomas Bäckman, believes the deal presents an opportunity for Paf to grow within the global market.

“It feels good that it is Paf who is buying our Swedish business, they have a long-term strategy and they are well-known for their responsible gaming work,” he said.

**GI Verdict:** Every business in the industry is aiming to grow after feeling the effects of the pandemic.

The acquisitions of two companies keeps Paf competitive, continuing this year's trend of industry consolidation, in addition to the Lightning Box – Scientific Games deal announced this week.

It is a show of confidence in the Swedish market, however, which has seen better days...



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**IGT**  
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**Scientific Games**  
61.86 USD ↓ 1%

**SJM Holdings**  
6.27 HKD ↓ 10%

**Elys Game Technology**  
4.18 USD ↓ 3%

## CROWN RESORTS PRESENTS FINAL SUBMISSIONS TO VICTORIAN INQUIRY

In its closing remarks to the Victorian Royal Commission, Crown Resorts has stated it is an integral part of Victoria's economy, adding that the company has paid at least AU\$1.4bn (\$US1.04bn) in taxes since 2014.

The operator added that Crown Melbourne employs more than 12,000 people. However, the company had paid AU\$61m on 27 July after it was found that Crown failed to pay some of its casino tax. The company promised there will be no more underpayments.

"It's particularly important at this time, during the pandemic, where tourism and other economic activity is already so hampered (that) great care should be exercised before recommending anything that might adversely affect Melbourne and Victoria's ability to advance its tourism industry," said Michael Borsky QC.

However, the opposition argued that the casino would remain a profitable business even if Crown Melbourne switched operators.

Crown Melbourne also announced

Chief Executive Xavier Walsh will step down from his duties on 20 August and will leave the company in December. Despite the sudden changes in management, Crown must prove it can safely operate its Melbourne property, as Counsel assisting Adrian Finanzio has already told the Commission the operator is unfit to hold a licence.

**GI Verdict:** The Crown Resorts case is definitely the most infamous case currently in the gambling and gaming industry; with so many new developments and twists, the case has garnered interest from everyone within the sector.

Crown's closing remarks about it being an "integral part of the Victoria's economy" are a tactic that has been used before: many casinos use this argument when trying to persuade lawmakers to place a new casino or expand one in an area.

As a previous persuasive tool US states use, it's one that often works; however, could this be enough to earn Crown Resorts a favoured decision here?

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## JUNE REVENUE REPORT: RHODE ISLAND

Fantini Research looks at Rhode Island's revenue for the month of June, compared to June 2019 (as 2020 was heavily affected by the pandemic).

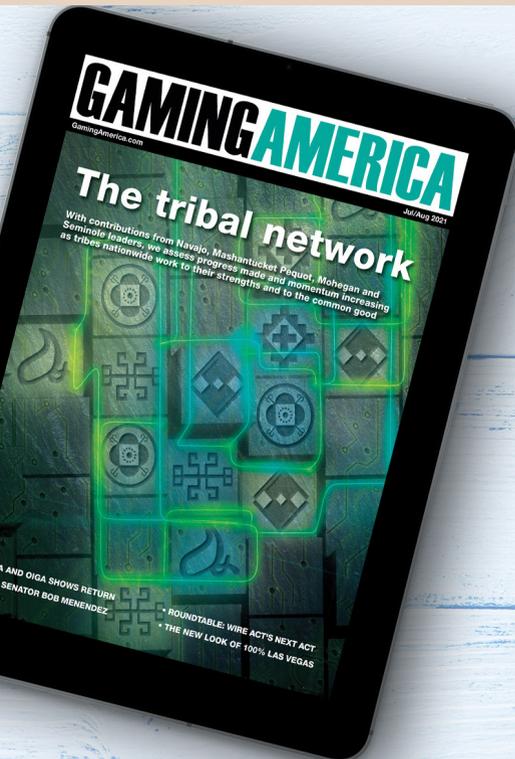
SPORTS BETTING	REVENUE (M)	% CHANGE VS 2019	OPERATORS
Tiverton	\$0.451	+1.22	CZR
Twin River	\$1.503	+11.82	CZR
Online	\$1.712	N/A	IGT/CZR
<b>Total Revenue</b>	<b>\$3.666</b>	<b>+70.51</b>	<b>N/A</b>
<b>Same Store*</b>	<b>\$1.954</b>	<b>-9.12</b>	<b>N/A</b>

ALL-SOURCES REVENUE	REVENUE (M)	% CHANGE VS. 2019
Tiverton (BALY)	\$10.369	-0.94
Twin River (BALY)	\$34.203	-20.20
<b>Total</b>	<b>\$44.573</b>	<b>-16.42</b>

TABLE GAMES	REVENUE (M)	% CHANGE VS. 2019
Tiverton	\$1.639	-8.13
Twin River	\$6.228	-27.72
<b>Total Table Games</b>	<b>\$7.867</b>	<b>-24.36</b>

SLOTS	REVENUE (M)	% CHANGE VS. 2019
Tiverton	\$8.730	+0.54
Twin River	\$27.975	-18.30
<b>Total Slots</b>	<b>\$36.705</b>	<b>-14.4</b>

TABLE GAMES	HANDLE (M)	% CHANGE VS. 2019
Total Handle	\$29.469	+99.97
Same Store*	\$14.839	+0.69



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## GUEST PANEL



### **MODERATOR: TIM POOLE, GAMBLING INSIDER;**

*Panelists: Gareth Jones, Country Manager (ANZ) and esports lead at Neosurf; Dave Harris, MD Guinevere Capital; Olga Gollkova, Head of Billing at Parimatch Tech; Magnus Leppäniemi, President of esports, Esports Entertainment Group*

#### **How fast is gambling growing within esports and are there any concerns, as there is still quite a young audience?**

**ML:** It's growing and it's growing fast; we get more and more people playing and betting on esports. There is an influx of both gamers and people who play sports that are betting. But what we need to know is it kind of depends what games. If you're not playing the game, it's hard to understand the game, and if it's hard to understand the game – it's hard to bet on it. I think we need to find games that are easy to understand even if you don't play it. So, what we have been working on is the educational side and how we can educate people who don't play the particular game to still understand and place bets.

**GJ:** Gambling within esports is growing. As the scene grows, the audience who play and watch get older and get interested in activities such as gambling. I think our perspective is not to rush that growth in the gambling side. That's where we may increase regulatory scrutiny, and we may get shut down before we get a chance to breathe and before gambling's had a chance

to really become integrated into the esports space. There are still some myths that exist around the audience, the average esports audience is probably older than most people think – it's probably around 24-25, but it's certain games that people will always talk about, such as Fortnite, for instance which is obviously huge and has a younger audience.

It's how we communicate, so social media is always a bit challenging as it's harder to regulate who follows what accounts. If you're hosting things that are entertaining and interesting, because we are trying to educate people around various esports, this may attract a younger audience. They may follow you because of the esports side of things, they then may inadvertently hear about gambling. So it might be the channels we use or the way we communicate but our perspective is to grow organically so we don't get shut down.

**OG:** Maybe esports is a faster industry than gambling, it's hard to decide. In gambling, it's quite hard to bet on the odds of a new game on new players or new teams; they change around so fast that you don't know how they play. It's also about money; I think esports should be entertainment, it is entertainment, and all of the championships should be organised as entertainment. There should be rules.

**DH:** The esports proposition to many – not just the gambling industry – is a way to access and engage with a younger demographic and younger fanbase. Whether you're selling cars or bets on matches, it's the same. I think a lot of people have discussed 14-year-old Fortnite fans as the people pictured when considering esports. But the demographic is seen as much wiser and older than people believe.

I think people are becoming far more in favour of esports when you look at the statistics. We look at the complexity of some games and its part of the attraction. It takes time and investment to understand these games, I think the depth of such games is amazing and as the industry grows some are naturally going to lead into sports betting – it creates more engagement.

As long as you can regulate it properly and engage in the right way, this will see the industry grow and turn into a potentially important revenue stream that is similar in traditional sports.

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