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WEEK 39

FRIDAY 1 OCT 2021

**DO WE HAVE TO CHOOSE
BETWEEN REGULATION OR
SHAREHOLDER PROFITS?**



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THIS WEEK

- **An OpenBet for all Endeavors: Scientific Games sells business**
- **Pay the piper: Philippines implements 5% tax**
 - **The risky road to Nether-Netherland: Tipico fined by KSA**
 - **New House Rules: Danish Gambling Authority updates AML and machine labelling guidelines**

GUEST COLUMNIST:

- **Emma Clayton-Wright, Managing Director, EyeSpy Recruitment**

DO WE HAVE TO CHOOSE BETWEEN REGULATION OR SHAREHOLDER PROFITS? ▾

See also page 3 ▾
Round-up, round-up:
Elsewhere in US gaming



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Gambling companies are pilloried for their treatment of problem gamblers. But whenever regulations are introduced to make gambling safer, investors panic and share prices fall. So where is the reward for making gambling more sustainable?

▶ Macau has made headlines recently as its big casino companies saw share prices plummet in the wake of the region's regulatory overhaul.

However, while most outlets have been fixated on the woes facing shareholders' wallets, we at *Gambling Insider* believe this topic raises an interesting question: are shareholders and investors the biggest hurdle to more responsible gambling?

From public initiatives to privately funded campaigns, "safer gambling" is the phrase on everyone in the industry's lips.

All of the big companies are getting behind it, from MGM Resorts and Entain backing the American Gaming Association's 'Have A Game Plan' campaign, to the UK's industry-wide Safer Gambling Awareness week in November, it seems like everyone wants in on the action.

However, as soon as there is a whiff of change — in more regulation — share prices drop and the big boys panic.

For example, Macau introduced an updated version of its Electronic Gaming Machine Technical Standards, which came into force at the beginning of September.

This was followed by city officials entering a 45-day consultation period on 15 September with one of the major points being the removal of sub-concessions.

Later that same day, casino companies with operations in Macau saw their shares plummet.

Now, let's be clear on one thing, Covid obviously played a sizeable role in the city's recent troubles; there was, after all, a not insignificant spike in coronavirus cases in neighbouring Fujian province just before the big drop.

However, the consensus is that the shock was predominantly precipitated by regulation and investors' reactions.

So the problem seems obvious; more regulations equal a greater cost for the big casino companies and shareholders balk at extra expense; but the solution is less clear, and even the problem becomes more opaque the longer and harder you stare at it.

Everyone is in agreement when it comes to doing more to protect vulnerable individuals from the potential harms of gambling and the move from Macau's Government appears to be in line with this belief.

As an example, in accordance with the city's new technical specifications, slot machines must feature a time display in a 12-hour clock format in the bottom-right corner of the player main screen.

The clocks must flash at the start of a new play session, and then at 10-minute intervals for the rest of the same play session.

This move was directly intended to promote responsible gambling, but many jurisdictions around the world don't

bother with clocks on their slot machine displays — many don't even bother with clocks at all.

This highlights just how reluctant major operators can be when it comes to implementing proactive measures. But when the big players see events like those in Macau unfold, their reluctance seems valid.

So is this issue a zero-sum equation? Must operators and regulators choose between customer safety and shareholders' pockets?

"The problem seems obvious: More regulations equal a greater cost for the big casino companies and shareholders balk at extra expense; but the solution is less clear"

In a perfect world, the answer would be a resounding "NO!" but unfortunately this isn't a perfect world. So for the answer we have to look to real-world case studies and as luck would have it, this is exactly the question the UK Government is asking itself right now.

In December 2020, it launched a major and wide-ranging review of the country's existing gambling framework, with its primary focus being the Gambling Act 2005.

Following on from this, the insights agency Revealing Reality published 'An Integrated Approach To Safer Gambling,' a report outlining a roadmap for the industry in relation to preventative measures operators should take to safeguard vulnerable individuals from harm.

To summarise its key findings, the industry and regulators need to work together on this issue, with the former bearing a hefty share of the load; and with the transition to online gambling and its increased accessibility, the safety of consumers is increasingly on the minds of those in charge.

Since 2020, the Gambling Commission has made significant strides in tackling potential points of harm, including several new rules that will come into force on 31 October, such as a cap on slot spin speeds in online games at 2.5 seconds as well as banning auto-play.

So if officials seem set to push ahead with regulations regardless of industry pushback, then operators will be forced to adapt, for the sake of their customers and investors.

The issue then becomes less about shareholders' margins and more about how businesses are going to continue to deliver strong profits in the face of such change. But if gambling companies are damned if they don't invest in responsible gambling, the influence of financial investors then leaves them damned if they do.

THIS WEEK IN NUMBERS

10

Licenses granted by the KSA for online gaming in the Netherlands



17%

Increase in Colorado's August betting volume from July

\$75m

Growth investment was raised by Optimove, led by Summit Partners, to support M&A strategies and the expansion of its CRM marketing hub



13%

Decrease in Tennessee sportsbooks' August gross gaming revenue compared to the previous month

\$5.7bn

Paid for the sale of The Cosmopolitan of Las Vegas



ROUND-UP, ROUND-UP: ELSEWHERE IN US GAMING

► **MGM Resorts International** has announced an agreement has been reached with Blackstone for the acquisition of The Cosmopolitan of Las Vegas in a deal worth \$1.625bn. This price is eight times the property's adjusted EBITDA. MGM Resorts will enter into a 30-year lease agreement with three 10-year renewal options and pay an annual rent of \$200m, increasing 2% annually.

MGM Resorts International has also said that MGM Japan, together with its joint-venture partner ORIX, has been selected by Osaka as the region's integrated resort partner. Osaka's selection of the MGM-ORIX consortium marks an "important step" in MGM's long-term bid to develop one of Japan's first integrated resorts. The project is worth \$10bn.

Elys Game Technology has announced that the company has entered into a Memorandum of Understanding with the New York State Restaurant Association (NYSRA) that expresses a joint interest in facilitating opportunities for food and beverage establishments to participate in the state's sports betting industry. The two groups will work to mutually develop and establish policies that will aid in food and drink establishments gaining opportunities in the sports betting market. For example, they will engage in collective advocacy on the benefits of offering sportsbooks at small business venues.

The **San Manuel Band of Mission Indians** and the **San Manuel Entertainment Authority** announced that San Manuel Casino has rebranded to Yaamava' Resort & Casino. The change in names represents a new era for the Highland, California casino, which is nearing completion of a major expansion project. A new hotel and resort are set to open in December, featuring a 17-floor hotel with 432 guest rooms, while the casino added additional slots and a high-limit gaming room. Other additions to the property include three retail shops, new bars and restaurants, a pool deck with seven private cabanas, and a full-service spa. The 2,800-seat entertainment venue will debut next year.

FanDuel and Port Madison Enterprises (PME) have announced a market access partnership between the sports betting operator and Suquamish

Clearwater Casino Resort. FanDuel will operate a retail sportsbook at the Seattle casino. PME is an agency established by the Suquamish Tribe and its operations are aimed at developing community resources while promoting the economic and social welfare of the tribe.

In **Colorado**, August handle was up 65% year-on-year. With the month's wagers, Colorado has surpassed \$3.0bn in lifetime handle since launching sports betting in May 2020. GGR for the month was \$15.2m, a decrease of 3.2%. The drop in revenue is likely a result of increased promotional play at **mobile sportsbooks** ahead of the NFL season.

Meanwhile, **Tennessee sportsbooks** generated August handle of \$145m, on par with July wagers. GGR for the month was \$13.2m compared to \$15.2m in July. Sports betting produced \$10.1m in taxable revenue, resulting in \$2.0m in tax revenue. Handle is expected to grow this month.

Las Vegas-based **Gaming Arts** has promoted Jean Venneman to Chief Operating Officer and has named Mike Smykowski Director of Sales. The changes come ahead of G2E, where the end-to-end gaming technology provider will display some of its latest advancements in electronic gaming machines, bingo, keno, and interactive casino-wide promotional systems.

Announced this week, the venture capital company, **SeventySix Capital**, has closed its second sports betting-focused fund. The funding is set to be used to invest in entrepreneurs with innovative approaches to sports betting, esports, and sports tech. SeventySix Capital has been involved with some of the United States' biggest sports betting entities. In 2021, the company has sold three companies, including the sports betting network VSIN to DraftKings, and Vigtory to FuboTV as the streaming platform moved to enter the sports wagering market.

OddsChecker has partnered with boxing legend Floyd Mayweather Jr., for the 2021 NFL season. OddsChecker, which came online with the legalisation of online gambling in the US in 2018, noted Mayweather is one of the best boxers in the history of the sport, retiring with a spotless record of 50-0.

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35

Companies brought together by The Institute for Gambling Regulation (IFGR) for the launch of its responsible gambling project in the Czech Republic

7

Arrested for illegal horse race betting and other forms of gambling in Singapore



500bn JPY



Investment established in Singapore for the Marina Bay Sands casino resort, seen as a major competitor for Osaka (\$4.49bn)

SCIENTIFIC GAMES TO SELL OPENBET TO ENDEAVOR GROUP

Scientific Games has signed an agreement to sell OpenBet, its sports betting business, to Endeavor Group Holdings, in a transaction valued at \$1.2bn.

According to a statement from the company, Scientific Games will receive \$1bn in cash and \$200m in Endeavor Class A common stock. The transaction is scheduled to close in Q2 2022, after regulatory approval.

OpenBet is a global online sports betting company that focuses on sports content and technology, and offers services to operators worldwide. The group has over 75 global customers, including 24 sportsbooks across 12 states and is a preferred business-to-business sports betting partner in the majority of regions.

"This transaction represents the culmination of a thorough process to divest OpenBet to maximise value for our shareholders and rapidly advance our vision to become the leading cross-platform global game company," said Barry Cottle, President and CEO of Scientific Games. "The transaction is a significant milestone towards optimising our portfolio and de-levering the balance

sheet to enhance our financial flexibility.

"OpenBet has built an incredible sports betting suite anchored in its best-in-class betting engine and now includes expanded content, services and products for sportsbooks and fans," said Ariel Emanuel, CEO of Endeavor. "This capability set is the ideal complement to our IMG Arena sports betting business, which works directly with sports rights holders. We look forward to growing these businesses together to capitalise on the strong secular tailwinds in the sports betting ecosystem."

GI Verdict: With the company combining the gaming software with the existing sports betting business, the deal comes at a time when online gaming is moving at a frantic pace. Online betting in itself has reached higher levels during the pandemic and the OpenBet deal is set to build a strong sports betting ecosystem, capitalising on growing the business together with IMG Arena. But where does this leave Scientific Games? Considering OpenBet was once a driving force in this industry, \$1.2bn seems a far lower valuation than the supplier would have hoped for back when it acquired the organisation in 2017.

THE WEEK IN QUOTES

“Play Caller Sports has a talented team that is focused on one of the most dynamic and fastest-growing areas of our industry. We look forward to introducing their innovative platform to our many strategic partners and influencers.”

Stephen Crystal, CEO and Founder of Las Vegas-based SCCG Management, on the announcement of its partnership with Play Caller Sports

“Achieving Silver Partner status with Microsoft is a strategic step for Continent 8 and forms part of continued efforts to be the leading multi-cloud solutions provider to organisations in the global gambling industry.”

Michael Tobin, Founder and CEO of Continent 8 Technologies, on Continent 8 attaining Microsoft’s acclaimed Silver Partner status

NEW POGO TAX LAW A “MAJOR WIN” FOR THE PHILIPPINES

The new law to impose additional taxes on Philippine Offshore Gaming Operators (POGOs) is a “major win” for the country, according to the Ways and Means Committee Chief in the Senate.

Senator Pia Cayetano said the measure – signed into law last week by President Rodrigo Duterte – will generate billions in additional funds for public services, without burdening Filipino taxpayers.

Cayetano stands as the principal sponsor of the POGO Tax Law, which imposes a 5% tax on gross gaming revenue of online gaming operators.

Foreigners employed in online casinos and their service providers, meanwhile, are required to pay 25% income tax.

“For years, many of these POGOs have been operating without paying the proper taxes. By virtue of this law that I sponsored and defended, they will now be taxed,” said Cayetano.

“POGOs are offshore gaming operators, which means only foreigners abroad may gamble in POGOs. So the

taxes do not come from Filipinos, or even foreigners residing in the country.”

Cayetano noted that based on Department of Finance estimates, the new law is projected to generate P32.1bn (\$600m) in 2022; P22.9bn through the 5% gaming tax, and P9.2bn from the 25% tax on foreign POGO employees.

“I’d rather tax the POGOs than see a proliferation of gambling in the country, which sadly seems to be the direction that our colleagues in the House are taking with the recent passage of a bill allowing online gambling,” Cayetano added.

GI Verdict: Under the new law, 60% of total revenues from gaming tax imposed on offshore gaming companies will be earmarked for the Government and allocated to health programmes that have suffered due to the ongoing pandemic. The New POGO tax is seen as key to helping the industry recover and getting society back on its feet. But will it strike the right balance?

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“While this may be a form of entertainment many people can enjoy, for others it can be a harmful addiction. The ability to voluntarily exclude yourself from these activities is one of the many tools available to help.”

**Department of Consumer Protection
Commissioner Michelle Seagull on the launch of Connecticut’s new online portal allowing people to voluntarily exclude themselves from gambling**

“Like Monumental Sports & Entertainment, we love blazing trails and we are always looking for innovative opportunities that drive engagement and storytelling for fans. We are proud to extend our historic partnership with such a storied franchise after launching the sportsbook at Capital One Arena.”

Chris Holdren, Co-President of Caesars Digital, on The Washington Capitals and Caesars Entertainment’s multi-year partnership agreement, including placing Caesars’ Sportsbook logo on all Washington Capital jerseys

DANISH GAMBLING AUTHORITY UPDATES AML AND MACHINE LABELLING GUIDELINES

The Danish Financial Intelligence Unit (FIU) has updated its list of indicators for money laundering and financing of terrorism.

The list includes various measures which can indicate money laundering or financing of terrorism, and its purpose is to offer help to enterprises or persons subject to a reporting duty under the Anti-Money Laundering Act; to better identify such issues (and also prevent them).

In addition to being updated, the indicators are now divided into specific groups of enterprises or persons subject to the reporting duty, including the gambling industry, as well as indicators relevant for everyone subjected to the reporting duty. According to the regulations, the enterprises or subject must send a report if they cannot dismiss suspicion of money laundering or terrorism financing.

As per the Gambling Authority, advertising of winnings exceeding

DKK 600 (\$95) on a single game is a breach of section 36 (1)(1) of the Danish Gambling Act. If prizes exceeding the said amount are advertised, the marketing material must clearly specify that the chance of winning such a prize is only possible by playing multiple games.

GI Verdict: Anti-Money Laundering regulation seeks to ensure that diligence procedure is observed in the global financial markets for the prevention of money laundering and terrorist financing.

This update comes several days after a warning was issued by the Danish Gambling Authority. It called to attention that the prize in one game cannot exceed the amount of DKK 600. This rule appears in the Executive Order on gaming machines in gambling arcades and restaurants. The full list of indicators is available on the Danish Prosecution Service’s website. Denmark is taking its gaming regulation seriously.



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TAKING STOCK

SHARE PRICES COVER WEDNESDAY
22 SEPTEMBER TO WEDNESDAY 29
SEPTEMBER (09:30 AM GMT)

Elys Game Technology  11%
5.21 USD

Scientific Games  7%
82.71 USD

Flutter Entertainment  4%
15,340.00 GBp

Crown Resorts  1%
9.42 AUD

Sportradar Group  7%
24.25 USD

KSA IMPOSES €531,250 FINE ON TIPICO FOR ILLEGAL ONLINE BETTING

The Dutch Gambling Authority, Kansspelautoriteit (KSA), has enforced a fine of €531,250 (\$622,000) on Malta-based operator Tipico, for unlawfully providing online gaming websites in the Netherlands.

The KSA discovered such games were being offered on the tipico.com website. A primary fine of €200,000 applied for this type of violation, which was then increased three times by €75,000. This was generated based on the following: once for the bonuses on offer and the number of games and bets offered, once for the overall use of the inactivity fee, and lastly once for offering live betting in the first place.

This type of betting carries a higher risk of forming an addiction in comparison to bets that can only be made before the start of a match, according to the KSA.

Due to the age range of the players participating in the online gaming

activity not being visibly verified, the fine increased for Tipico.

The website is now unavailable and unreachable with a Dutch IP address.

From 1 October 2021, the Netherlands has made it possible to legally provide online games and gambling websites with a licence from the KSA.

At the end of September, the KSA will then announce what companies are granted this access.

GI Verdict: Earlier this year in April, the KSA had already received 28 applications from operators seeking to offer online games in the country's regulated market.

It stated that any illegal offerings will incur a fine, with a strict increase. Unfortunately for the operator, it was time for Tipico to pay the piper, as unlawful action from the firm was indeed made. With the excitement to get into the Netherlands' regulated market, will other companies attempting to follow suit risk the hefty repercussions?

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AUGUST REVENUE REPORT: WEST VIRGINIA

West Virginia revenue in the four weeks ended 28 August versus the four weeks ended 29 August last year, and four weeks ended 31 August in 2019.

Casinos were limited to 50% capacity last year but currently have no restrictions.

MULTIPLE PROPERTIES

Delaware North	\$13.339	-7.76	+24.49
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TABLE GAMES

	AUGUST REVENUE(M)	CHANGE (%) VS 2019 VS 2020	
Greenbrier	\$ 0.578	+76.49	-34.88
Mardi Gras (Del North)	\$ 1.508	+25.02	+66.98
Charles Town (PENN)	\$ 4.695	+0.62	+57.34
Mountaineer (CNTY)	\$ 1.271	-3.89	+30.98
Wheeling Island (Del North)	\$ 0.446	-19.87	+23.25
Total Table Games	\$ 8.498	+5.19	+39.15

iGAMING

	AUGUST REVENUE(M)	CHANGE (%) VS 2020
Greenbrier	\$ 2.377	+3,572.07
Charles Town (PENN)	\$ 1.613	+228.77
Mountaineer	\$ 0.481	
Total	\$ 4.471	+704.95

*Same store excludes sports betting and iGaming

ALL-SOURCES REVENUE	AUGUST REVENUE(M)	CHANGE (%) VS 2019 VS 2020	
Greenbrier	\$ 4.251	+373.11	+99.95
Mardi Gras (Del North)	\$ 5.954	+17.06	+34.91
Charles Town (PENN)	\$ 30.672	+6.39	+23.63
Mountaineer (CNTY)	\$ 10.196	-0.78	+19.74
Wheeling Island (Del North)	\$ 7.420	-20.86	+17.75

SLOTS

	AUGUST REVENUE(M)	CHANGE (%) VS 2019 VS 2020	
Mardi Gras (Del North)	\$ 4.460	+14.96	+27.06
Greenbrier	\$ 0.587	+13.28	-16.15
Charles Town (PENN)	\$23.268	+0.97	+16.73
Mountaineer (CNTY)	\$ 8.291	-3.58	+11.37
Wheeling Island (Del North)	\$ 6.925	-21.48	+16.59
Total Slots	\$43.530	-2.96	+16.00

SPORTS BETTING

	AUGUST REVENUE(M)	CHANGE (%) VS 2019 VS 2020		
Greenbrier	\$ 0.709	+1,229	+49.53	FLTR
Mountaineer (CNTY)	\$ 0.153	-56.88	+53.20	CZR
Wheeling Island (Del North)	\$ 0.049			IGT
Mardi Gras (Del North)	\$ 0.014	-2,012.66		IGT
Charles Town (PENN)	\$ 1.096	-2.16	-21.87	PENN
Total Revenue	\$ 1.993	+30.39	+0.81	
Total Handle	\$22.350	+108.04	-44.72	

GUEST COLUMNIST



**EMMA
CLAYTON-WRIGHT,**
*MANAGING DIRECTOR
EYESPY RECRUITMENT*

*Clayton-Wright speaks
about the impact of
M&A on staffing*

When M&A happens, there's always a lot of uncertainty surrounding these types of deals. Unfortunately, it often creates quite a toxic environment for both the employees and the business as a whole.

Many times, candidates come to us at these crucial points, nervous because they don't know what's going to happen and they feel as though they need to jump ship before it's too late. These situations can be easily avoided if more information and assurance is given to staff, helping them see the situation as more of a positive experience and contribution to the future of their careers.

Dos and don'ts

The most important "Do" is communication; this will always be the most effective tool for a successful approach to staffing. A big "Don't" (for employers especially) is not to over-promise promotions or job opportunities. This is something we've noticed happens too often in these situations as businesses desperately attempt to retain talent.

It's important that candidates at risk of redundancy are effectively supported. Recognising the human element in these situations is crucial; these are real people's lives in the balance. If companies can keep that at the forefront of their minds, they'll have a better chance of a successful M&A process.

Streamlining opportunities

Being made redundant does not mean these candidates are not talented or did a bad job in any way. In most cases, it's usually just a natural outcome as a result of two companies

synergising, cost-cutting and making tough decisions best for the business at that time. We've witnessed many cases where competitors have targeted rival brands going through an M&A process in an attempt to poach their best talent – it's a very common practice.

There are also many instances where a candidate does have a secured job within the company, but they approach us anyway looking for new opportunities because they don't like the new structure of the company post-M&A. So it comes from both sides of the employee/employer relationship. It's important to remember that this is still very normal and on the whole, a third of all M&As fail to reach their staff restructuring objectives.

Capturing talent

One of the ways I've seen this being done as a company restructures is to reach out to other HR departments within the gaming industry and share the profiles of all their employees who are at risk of redundancy. This is a brilliant way for employees to assist their at-risk staff in securing another role. Keeping the human element and ensuring you help your staff as much as possible even when they're leaving the company is the best way to ensure a successful M&A deal, plus it will help to boost your brand PR, which is always a positive thing.

The reality with redundancy is that it is never an ideal situation for anyone because, at the bare minimum, it will make the individual feel as though they may not have done a good enough job and lower morale. However, that is not the case in most circumstances. The whole reason why companies merge is to save costs, so redundancies will be inevitable regardless of a candidate's level of talent.

Securing another top job is not as difficult as one may think in these sorts of situations. When dealing with these types of candidates it's very often the case that they move on to bigger, better-paid positions within the industry. I have always advised my candidates that being made redundant is actually an opportunity to make the step in their career that they've always wanted to make, but haven't because they've been too comfortable in their current roles. There is so much opportunity out there and with the right help and positive mental attitude, a lot can still be achieved.

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