



WEEK 43

FRIDAY 29 OCT 2021

DRAFTKINGS DROPS \$22BN ENTAIN BID

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THIS WEEK

- **Crown Resorts scolded without any real punishment?**
- **GC study: 25% of Under-16s participate in gambling**
- **It's a break up: 11 Picassos sold by MGM Resorts**
- **Relocation, regulation: NY players betting in Connecticut**

GUEST COLUMNIST:

- **Jayms Brooks, Head of SEO, Digital Fuel**

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Betsson Group U-turn on CEO Pontus Lindwall ▼



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DraftKings issued a statement on 26 October disclosing its refusal to make a firm offer on Entain, following discussions with the company's Board of Directors

▶ DraftKings and Entain took the gambling world on a month-long wild ride with their takeover talks that could have kicked off a more than \$22bn bidding war.

But after a last-minute deadline extension from Entain, which called on DraftKings to 'put up or shut up', the whole saga came to nought when the US sports betting brand declined to broach a firm offer.

Jason Robins, DraftKings' CEO, Co-founder and Chairman, commented on his company's decision, saying: "After several discussions with Entain leadership, DraftKings has decided that it will not make a firm offer for Entain at this time.

"Based on our vertically integrated technology stack, best-in-class product and technology capabilities, and leading brand, we are highly confident in our ability to maintain a leadership position; and achieve our long-term growth plans in the rapidly growing North America market."

This marks the second time in 2021 that Entain has seen talks break down, after MGM Resorts teased the world with its plans to acquire the company for \$11bn, only to drop out in January after refusing to submit a revised sum when Entain rejected its offer.

Several months on and DraftKings first mooted its multibillion-dollar buy-out offer, almost doubling MGM Resorts' previous bid.

As Entain is a UK-based business, this transaction was subject to Britain's corporate takeover rules, which stipulated that DraftKings had until 19 October to lodge a firm offer.

This date quickly came and went with nothing from the sports betting brand, leading Entain to provide an almost month-long postponement to 16 November, in a move the company labelled an "extension of the put up or shut up deadline."

But complications remained, with MGM Resorts' and Entain's BetMGM joint venture in particular being a sticking point for any acquisition.

Co-owned and operated by both companies, MGM Resorts steadfastly rejected any solution that would see it lose control, its CEO Bill Hornbuckle floating his company's intention to buy Entain's share of the joint venture, which bumped the British business' stock price and raised the prospect of an all-out bidding war.

"There's a lot of ways to structure it. The only thing that would be successful for us is if we got control of it and had a technology that we could proceed with," commented Hornbuckle at the time.

In early October, Hornbuckle also floated his company's intention to buy Entain, which – however unlikely – bumped its stock price and raised the prospect of an all-out bidding war.

One week on from the original deadline and DraftKings published the statement detailing its refusal to lodge a formal

offer to acquire Entain.

Shares in the British company plummeted following the announcement on 26 October, dropping from \$28 to \$24, only to rebound slightly the following day.

While Entain suffered a four-dollar dip, DraftKings' share price rose by the same amount, breaking \$50 after the publication of its statement.

But what made Entain such an attractive prospect to its two American suitors in the first place?

Online gambling is a rapidly growing market in the US, with both DraftKings and MGM Resorts facing fierce competition from up-and-coming companies like Rush Street Interactive.

BetMGM also controls a significant share of the market, and its acquisition could be the key factor in determining who comes out on top.

But however appealing BetMGM may be, it's also important to remember that Entain's reach spans five continents, with the UK-based business holding gambling licences in 27 countries.

Its European operations may be particularly appealing, owning big brands like Ladbrokes, Coral and Sportingbet.

Regardless, these incentives were clearly not enough to entice either MGM Resorts or DraftKings to buy the British gambling business, with the latter now bound by restrictions which limit its ability to make another bid in the near future.

Under Rule 2.8 of the City Code on Takeovers and Mergers, DraftKings cannot make any further offers for six months from the date of its announcement; except under certain circumstances that include the agreement of Entain's Board of Directors, an offer from a third party or the announcement by Entain of a "whitewash" proposal or reverse takeover.

In response to DraftKings' withdrawal, Entain issued a statement, saying: "The Board strongly believes in the future prospects of Entain, underpinned by its leading market positions, world class management team and industry-leading proprietary technology.

"Entain's management remains focused on executing its growth and sustainability strategy."

GI Verdict: A sequel may be in the works to the DraftKings-Entain saga, but we at *Gambling Insider* aren't expecting one any time soon. On top of the restrictions, both companies will want to see where they stand once the dust settles, especially Entain which has experienced a significant share price bump from the prospect of a multibillion-dollar DraftKings' bid. Entain has also spurned American suitors twice this year, so expect more caution from the company when it entertains any future offers.

Meanwhile, what a deal for MGM Resorts when it arranged its joint venture with Entain for BetMGM (originally Roar Digital). Out of all three parties, MGM Resorts is holding a lot of the aces here.

THIS WEEK IN NUMBERS

\$48.3m

In Q3 revenue for Kambi, a 48% increase from the prior-year period



29%

Year-on-year increase in revenue for Boyd Gaming for Q3 2021

6

Integrated resort operators to each sponsor one race in the upcoming 68th Macau Grand Prix



3.3%

Of Kindred Group Q3 2021 revenue from problem gambling, down from 4.3% in Q2 2021

86%

Net revenue increase for Monarch Casino and Resort during Q3 2021



BETSSON: BOARD U-TURN ON LINDWALL WHILE COMPANY POSTS SEK 1.73BN Q3 REVENUE

► A turbulent week sees Pontus Lindwall reinstated as Betsson CEO following a shareholder coup, quickly followed by the release of the company's Q3 financial report showing mixed results.

Swedish gambling giant Betsson AB made a U-turn when its newly appointed Board of Directors decided to keep the company's longstanding CEO, Pontus Lindwall, at the helm.

Following more than 25 years at the organisation, Lindwall was voted out as CEO by the board on 19 September and asked to step down from his role at the company.

When Lindwall's expulsion was announced, Patrick Svensk, former Chairman of the Board, issued a statement that said: "Betsson has never been in a better position than today. We have built up a strong business, with competent employees and good finances. The board's assessment is that it is a good opportunity to make a change in the position of CEO."

What came after was a drama of Shakespearean proportions, with Svensk being forced to step down amid a lack of confidence from key shareholders, including Lindwall's mother, who then prompted the meeting that saw the embattled Chief Exec reinstated.

"It is very sad, and I am sorry that I have disappointed our major owners, but I have done what I thought was best for the company," said Svensk at the time of his dismissal, who had been a board member since 2005 and Chairman since 2017.

With a major US expansion on the way and having been forced to cease operations in the Netherlands following the launch of the country's newly regulated iGaming market, it appears Betsson opted for a known quantity in Lindwall amid a period of uncertainty.

Johan Lundberg was named Chairman after Svensk's departure, and in discussing the board's quick about-face, said:

"We have had several discussions with Betsson's main stakeholders, the Betsson

management team, Betsson employees, as well as many of the largest shareholders.

"Based on those discussions the current Board does not believe it would be good to change leadership now. The company need to focus on all-important work that lays ahead, such as the unexpected Dutch situation."

As the drama was about to die down, Betsson published its Q3 financial report, which for many, seemed to justify the company's decision to keep Lindwall over going in a new direction.

The publication details a mixed bag of results, though on the whole, things look good for Betsson, posting SEK 1.73bn (\$200m) for the third quarter of 2021, a 3% increase from the same period last year.

However, when broken down, the document paints a much murkier picture, with casino revenue declining by 3% and operating income dropping to SEK 323.6m, a decline of 2%, while net income stood at SEK 287.4m; with SEK 423.5m in operating cash flow.

On the other hand, sportsbook revenue rose by 24%, with the company noting a sportsbook margin for the period of 8%, while active customers throughout the quarter increased by 7% to 986,429.

Lindwall added: "We have built a very strong and competent team at Betsson, and I look forward to continuing to build the company even stronger in the future."

GI Verdict: With Betsson's U-turn on Lindwall, the company has opted for the old veteran over new blood; and during this unknown period of post-pandemic instability, alongside considerable regulation and re-regulation, this may prove the better option.

Sportsbook growth has helped the company stagger through Q3 but a dip in casino revenue could spell hard times for Betsson if it is unable to expand into new territories quickly and aggressively.



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3 NOV 2021

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DRIVING DIFFERENTIATION



3

Year extension to Sportradar's agreement with the International Tennis Federation (ITF), serving as its Official Data Partner

\$22m



Sale of a northwest Louisiana horse racing track and casino, with Rubico Acquisition Corp set to take over the property



5

Year partnership between Everi Holdings and the Delaware Lottery

CROWN UNSUITABLE TO OPERATE CROWN MELBOURNE... YET RETAINS LICENCE

Crown Resorts was this week found unsuitable to operate Crown Melbourne, though the operator will retain its licence and will be subject to stricter oversight.

Victoria's Royal Commission into Crown found the operator unsuitable to continue to hold its licence under the Casino Control Act, and found it an unsuitable associate of Crown Melbourne.

However, Commissioner Ray Finkelstein disagreed with any immediate cancellation of the licence by recommending a revision of the Casino Control Act.

This means the creation of a position of a Special Manager who will oversee the affairs of a casino operator that is deemed unsuitable.

Such a Special Manager for Crown will be in place for two years, as the operator "attempts to undertake a comprehensive reform agenda to make it suitable."

The Finkelstein Report stated that the Royal Commission did find Crown engaged in behaviour that is "illegal, dishonest, unethical and exploitative" and also noted that "the scale of wrongdoing is so widespread and egregious that 'no

other finding was open."

The Victorian Government accepted all the findings of the Royal Commission and welcomed "tough new measures and stringent oversight of the casino operator," which will ensure similar failures not be repeated.

A Crown statement said it is currently reviewing the Report and the Victorian Government's response, and promised to work "cooperatively and constructively" with the Government regarding the findings and recommendations.

GI Verdict: After being allowed to keep its licence, despite being found guilty of "grave, ongoing legal breaches," and "misconduct that contravened not only Australian laws but the laws of other countries often with the knowledge of Crown executives," it leaves one wondering: what will Crown be able to get away with next?

This new Special Manager position, too, will use taxpayer money to create a whole new layer of bureaucracy, in effect enabling Crown's misgivings rather than punishing them.

THE WEEK IN QUOTES

“Since being established in 2019, we have worked tirelessly to drive up standards in the regulated betting and gaming industry and promote safer gambling. One problem gambler is one too many, however, and we are determined to keep up the momentum in the months and years ahead.”

BGC Chief Executive Michael Dugher following a Gambling Commission survey that showed a decline in problem gambling rates

“We are delighted to announce the launch of this strategic co-operation. Essential to Playtech’s success is our ability to partner with the leading entertainment companies in the most compelling and exciting markets.”

Mor Weizer, Playtech CEO, as the company announced the Dutch launch of its multichannel technology with Holland Casino

REGULAR OCCURRENCE: ONE QUARTER OF OVER 16S ENGAGE IN GAMBLING

One quarter of UK adults aged 16 and over have gambled online in the past four weeks, according to new data published by the Gambling Commission (GC).

Between September 2020 and 2021, approximately 25% of the 4,005 respondents in the GC’s study had participated in some form of online gambling in the previous four weeks, an increase from roughly 22% in 2020 and up from 18% in 2017.

On average, men are gambling online more than women, though the latter group has seen significant rises in recent years, up 3% on 2020’s survey to 22%.

Those in the 55-64 age group are also gambling more, climbing from 18% in 2017 to 28% as of September 2021.

Nuno Albuquerque of addiction help firm UK Addiction Treatment (UKAT) commented on the study’s findings, claiming that such trends represent a dangerous road towards

gambling-related harms.

“Online gambling can be very addictive as it’s so readily available, easily concealed and extremely enticing.

“It’s advertised as a form of escapism, and is attracting more women, and those aged 55 and over than ever before,” said Albuquerque.

GI Verdict: It’s no secret that gambling addiction can ruin lives, just like any other addiction.

It is also obvious that if you start participating in something during early life, you could be more inclined to carry it on throughout your later life.

With 25% of results in the GC study stating participation has risen in online gambling over the last four weeks, this could indicate a surge in harmful gambling-related activity – if the data is correct and unbiased.

This is a perfect chance for operators to adhere to vigilance in regulation; protecting its customers and protecting the industry too.



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SOTHEBY'S HOSTS LAS VEGAS ART AUCTION, SELLING 11 PICASSOS FOR NEARLY \$110M

"We are thrilled to be entering Latvia with one of its most respected and trusted operators as a partner. Enlabs' wide-reaching platform provides us with an incredible opportunity to push our latest and most valued live casino products, and we expect them to go down a treat with its customers."

Marko Ilic, VP of Belgrade Operations at Pragmatic Play, after the group brought its live casino products to Latvia via a deal with Entain's Enlabs

In a Las Vegas art auction hosted by Sotheby's, 11 Picasso artworks have been sold for nearly \$110m.

For more than 20 years, the works had held pride of place in the aptly named Picasso Restaurant of the Bellagio Hotel, operated by MGM Resorts International.

Steve Wynn, a lifelong lover of the artist, purchased the works over two decades ago while owner of the Bellagio, during which time he amassed a notable collection.

This then passed into the hands of MGM Resorts when it bought the paintings as part of its \$4.4bn acquisition of the resort, displaying them in the restaurant of the flagship location until their recent sale.

The auction saw the operator depart with a painting from 1938 entitled 'Femme Au Beret Rouge-Orange' (Woman in A Reddish-Orange Beret).

Two large-scale portraits were also involved in the auction, each fetching considerable sums, with 'Homme et

Enfant' (Man and Child), a 6.5-foot-tall portrait painted in 1959, and 'Buste d'homme' (Bust of a Man), going for \$24.4m and \$9.5m respectively.

'Le Dejeuner sur l'herbe' (Lunch on the Grass) brought in the additional sum of \$2.1m.

GI Verdict: Some could see these sales as more of a shame than (as MGM Resorts stated) a means of "deepening diversity and inclusion."

Like history, art is no different and a change or split in the location of such paintings could even decrease the allure of the Bellagio Hotel Picasso Restaurant. The addition of a selection of work by women and minority artists is not a negative thing, moreso a greatly progressive idea, one which we at *Gambling Insider* approve of.

However, to eliminate a historic entity in the restaurant, alongside its reputation in displaying such famous pieces from Picasso, might not be the most insightful idea from MGM Resorts. Time will tell.

"Continuing the growth of the Betway brand in the US, we're delighted to be partnering with the Minnesota Timberwolves. We look forward to connecting with their loyal fanbase and we're also excited to see the team's new recruits in this upcoming season."

Betway CEO Anthony Werkman on the group's multi-year sponsorship deal with the Minnesota Timberwolves

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OCTOBER TO THURSDAY 28 OCTOBER
(9.30AM GMT)

Bally's
50.61 USD  3%

Kambi
225.40 SEK  6%

Kindred
118.05 SEK  2%

Playtech
674.00 GBp  0%

Sportradar
20.15 USD  12%

GEOCOMPLY DATA: NEW YORK BETTORS MAKING THE COMMUTE TO CONNECTICUT

Data released by GeoComply for Connecticut's online sports betting and casino market has shown a strong start and proves New York's appetite for legal and regulated betting.

More than 1.2 million transactions have been recorded since the initial soft launch and most of them have taken place after Colorado's full launch on 19 October.

The state, with just over 3.5 million citizens, has already surpassed Colorado (with a population of 5.7 million), ranking itself ninth in terms of overall online sports betting and casino traffic.

Chad Kornett, VP Global Government Relations of GeoComply, explained: "We've learned from the New Jersey experience that New Yorkers are motivated to travel locally to bet on sites where proper consumer protections have been put in place that safeguard the integrity of their wager.

"Connecticut looks to be quickly following a similar pattern: easily

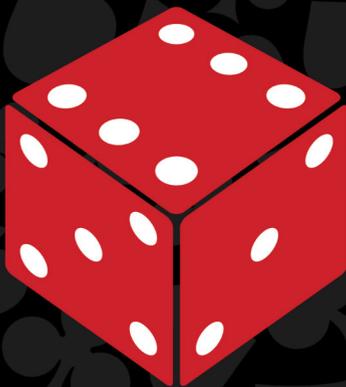
accessed from the New York City area, GeoComply's data shows 38% of Connecticut's wagering activity has originated from the southwestern corner of the state along the I-95 corridor."

Up until October, the closest option for New York bettors was New Jersey, but now that has changed and data shows concentrated heavy volumes in Stamford, Bridgeport; other hotspots have been detected along the northern New York border.

GI Verdict: It's unsurprising to see New York bettors have taken to gaming in Connecticut given their previous willingness to travel to New Jersey.

Naturally, this puts pressure on the state of New York to get its mobile options moving, to stop potential revenue leaking into nearby states.

It's been a strong start to life in the fast lane for Connecticut sports bettors, as well, but that too is unsurprising given the widespread acceleration of sports betting and online gaming in the US.



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SEPTEMBER IN THE BIG APPLE

New York revenue comparisons are 100% capacity this year vs. 25% last year.

ALL-SOURCES REVENUE	SEPTEMBER REVENUE (M)	CHANGE (%)	
		VS 2019	VS 2020
Nassau OTB at Resorts World (Genting)	\$21.237	+25.27	+66.91
Batavia	\$6.279	+22.00	+98.97
Rivers Schenectady (Rush Street)	\$17.393	+16.72	+123.66
Tioga Downs (Am. Racing & Ent)	\$7.987	+16.21	+143.61
Resorts World Catskills (Genting)	\$21.119	+16.06	+117.01
Finger Lakes (Del North)	\$9.962	+15.57	+57.48
Jake's 58 (Del North)	\$21.254	+11.08	+72.45
Saratoga	\$11.733	+9.05	+117.68
Hamburg Fairgrounds (Del North)	\$5.652	+6.99	+97.06
Empire City Yonkers (MGM)	\$50.920	+3.09	+170.30
del Lago (Peninsula Pacific)	\$14.184	-0.08	+165.96
Resorts World (Genting)	\$52.019	-5.43	+40.40
Vernon Downs (Am. Racing & Ent)	\$2.296	-6.07	+116.52

State Total	\$242.035	+6.67	+92.31
Racino Total	\$181.352	+4.99	+81.83
Casino Total	\$60.683	+12.03	+132.32

SPORTS BETTING	SEPTEMBER REVENUE (M)	CHANGE (%)		OPERATORS
		VS 2019	VS 2020	
Rivers Schenectady (Rush Street)	\$1.414	+56.44	+126.76	FLTR
del Lago (Peninsula Pacific)	\$1.163	+38.95	+191.82	DKNG
Tioga Downs (Am. Racing & Ent)	\$0.189	+16.54	+96.13	Rush
Street				
Resorts World Catskills (Genting)	\$0.422	+10.58	+47.75	Genius
Sports/IGT				
Total Sports Betting	\$ 3.187	+39.55	+127.07	

MULTIPLE PROPERTIES	SEPTEMBER REVENUE (M)	CHANGE (%)	
		VS 2019	VS 2020
American Racing & Ent	\$10.283	+10.36	+136.99
Delaware North	\$36.868	+11.60	+71.33
Genting	\$73.560	-0.03	+56.29

MARKETS	SEPTEMBER REVENUE (M)	CHANGE (%)	
		VS 2019	VS 2020
CENTRAL NEW YORK (Finger Lakes, Vernon Downs, del Lago)			
Central New York Total	\$26.442	+4.68	+107.88
CAPITAL REGION (Saratoga, Rivers Schenectady)			
Capital Region Total	\$29.126	+13.50	+121.21

GUEST COLUMNIST



JAYMS BROOKS,
*HEAD OF SEO,
DIGITAL FUEL*

The UK Government's long-awaited review of the 2005 Gambling Act will be published soon, but snippets of speculation have already been reported as fact, including one of the worst-kept secrets in the industry regarding gambling being airbrushed from football shirts.

It has been generally accepted that the clock has been ticking down on gambling logos on the front of football shirts for a long time now; and while there are likely to be more technical recommendations with a range of specific harm reduction outcomes also included in the overhaul, this issue appears to be the biggest political hot potato.

Currently, nine of the 20 Premier League clubs have a gambling company displayed on the front of their shirt, as well as six in the Championship – worth an estimated £100m (\$137.4m) in sponsorship value to the clubs.

In 2018, a whistle-to-whistle ban was voluntarily agreed

during football matches, creating a similar void to the one shirt sponsors will leave. Predictably, fast food delivery services stepped up to the plate in place of betting adverts as a natural replacement; a service which a consumer can easily access using an app on their phone and is a product that compliments the football on TV. It's easy to see the marketing comparisons too, with brand one of the key differentiating points for a largely homogenous product and service.

“It will then be a positive byproduct if the major above-the-line marketing, at permitted times, includes an even greater focus on a responsible gambling message”

There is, however, a replacement shirt sponsorship category that could be more closely linked to gambling than a bucket of chicken, with crypto, financial trading and NFT operators looking like potential replacements for traditional betting firms. Again, the similarities to betting and gaming in terms of global appeal, product delivery and risk are clear.

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The Gambling Commission (GC) has already disclosed a preemptive investigation into the NFT fantasy football and trading platform Sorare; and for products that may fall outside of the Commission's jurisdiction. It will be interesting to see if operators in this field face any regulatory hurdles when it comes to their marketing activities within football.

There's certainly an argument that for the average consumer, there's a greater level of understanding when it comes to a wager on the next player to score versus the purchase of the latest cryptocurrency or NFT.

If the rationale from the Government is that football clubs weren't able to police themselves and products that can carry financial health warnings should not be marketed overtly via front of shirt sponsorships, it should follow that if trading, crypto and NFT firms fill the void they should one day expect a similar level of scrutiny.

“At a time when the UK market is on the verge of implementing this potentially huge shakeup in terms of marketing, the feeling is that things are only just getting going on the other side of the pond”

While undoubtedly the Premier League's global appeal means operators have used it as a shop window for their brands around the world, the maturity of the UK market means that, for domestically-focused operators it looks like it could be a concession worth making to stave off more punitive regulation.

Equally, a unilateral disarming in the marketing arms race for football eyeballs means budgets can be diverted into more efficient forms of customer acquisition and retention.

It will then be a positive byproduct if the major above-the-line marketing, at permitted times, includes an even greater focus on a responsible gambling message.

The move for major UK operators to build entire brands

around their products being a safe form of entertainment has to be of benefit to the entire industry; while reminding the public and policymakers that the overwhelming majority of adults who gamble see it as just an important part of the football consumption routine as a pie, pint and programme.

The removal of gambling logos from the major pieces of football real estate, for fans on both the sofa and in the stadium, will drive a significant reduction in ambient gambling exposure.

This furthers the requirement for robust marketing strategies based on search engine optimisation and even greater targeting of marketing content, meaning adults who are making the choice to seek to consume the product can find what they are looking for. Marketeers will welcome the opportunity to become more efficient with their spending.

At a time when the UK market is on the verge of implementing this potentially huge shakeup in terms of marketing, the feeling is that things are only just getting going on the other side of the pond. The regulatory and cultural landscape of the US as the market emerges will be a fascinating watch for those who have lived through the regulatory overhaul in the UK & Europe.

At a time when mainstream publishers are behaving like affiliates and vice versa, coupled with the push towards regulation from the biggest affiliates in the industry, it will be interesting to see if any change in marketing regulation also applies to publishers and media entities for whom monetising traffic through gambling is a major focus. The same will apply to free-to-play games, especially those closely linked to or owned by traditional operators.

Removing gambling from football shirts has been on the cards for some time now and although the remainder of the recommendations are still to be revealed, comparisons to sweeping reforms in other mature, western markets suggest the UK will avoid the most punitive restrictions. For operators already in possession of strong brands and effective digital marketing strategies, it looks like a bargaining chip worth giving up.

Jayms Brooks is Head of SEO at Digital Fuel. Digital Fuel is a specialist iGaming and wagering sector digital marketing agency, helping casino and sportsbook brands achieve exceptional digital growth

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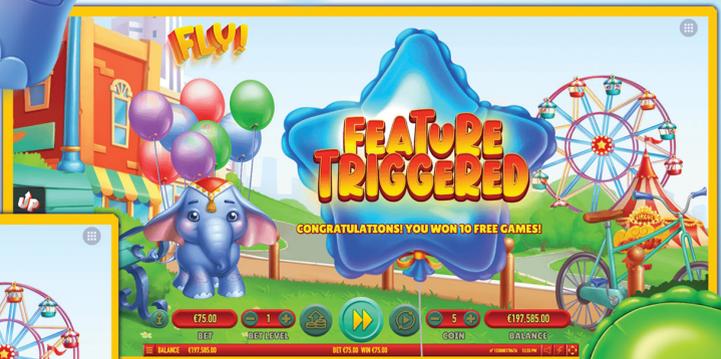




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