



WEEK 44

FRIDAY 5 NOV 2021

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ANALYSTS WEIGH IN AS FLUTTER POSTS 12% Q3 REVENUE GROWTH ▼

THIS WEEK

- Still no growth in Macau
- FanDuel and DraftKings want The Athletic
 - Q3 results worthy of a Caesar
 - Best of both worlds: ComeOn Group going Hybrid

GUEST COLUMNIST:

- Delzad Dalal, Head of Business Intelligence, Pronet Gaming

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



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With the group continuing to “flex its muscles in M&A,” Flutter’s third quarter saw it grow and expand, although “increased scrutiny” presages new problems

Flutter Entertainment this week reported revenue of £1.44bn (\$1.97bn) for the third quarter of 2021, a 12% increase from the prior-year period.

Sports revenue grew 17% to £906m, while gaming revenue grew 5% to £534m. The group’s average monthly players, meanwhile, climbed by 13% year-on-year to 7.3 million.

UK and Ireland revenue was down 5% to £491m due to the “busier, high-profile sporting calendar in prior year,” while Australia climbed 20% to £370m. International revenue fell by 3% to £299m, while US grew 85% to £280m.

Flutter also provided current trading and full year guidance in its update, noting that unfavourable sports results in the first 24 days of October have impacted group EBITDA (except US) by around £60m. Adjusted EBITDA expectations for the year are now expected to be £1.24bn – £1.28bn, compared to the previous guidance of £1.27bn – £1.37bn.

In the US, net revenue guidance remains unchanged at £1.28bn – £1.43bn, with adjusted EBITDA loss expected to be between £250m and £275m.

“In the US, we maintained our leadership position, with the quality of our product offering leading to high levels of customer engagement,” said Flutter Entertainment CEO Peter Jackson. “As expected, the start of the NFL season saw a step-up in competitive intensity. We remained disciplined, however, leveraging the broad set of high-quality marketing assets at our disposal.

“The customer response has been very encouraging, with FanDuel now regularly experiencing staking levels on Sundays that match its 2021 Super Bowl performance. Early engagement on NBA since the recent start of season has also been strong.”

After the announcement of Flutter Entertainment’s Q3 report for 2021, in quotes sent to *Gambling Insider*, regular contributor and Senior Analyst at Third Bridge, Harry Barnick, shared his views on the report.

While it posted healthy results for the quarter, Barnick believes “affordability checks and bet-per-spin limits are the headline factors that could damage revenue and profit in the long term.”

He added: “In Flutter’s home market, increased scrutiny into online regulation poses a threat to top-line and profitability, and investors are anxiously waiting to hear what could be in store for the sector.”

Following the start of the NFL season, which saw large competition in a range of states, data from the report shows the US market “continues to be a strategic growth area for Flutter, with success in this market looking pivotal to the future of the company.”

“As regulation opens up on a state-by-state basis, Flutter will be singularly focused on picking up licences and growing market share in the US,” said Barnick.

“Our experts say customer acquisition costs in the US

continue to pose a challenge. The land grab is in full swing, as Flutter and its competitors spend big to win a share in this growing market.”

Richard Sloss, Investment Director at Edison, also chimed in on Flutter’s third quarter results, in particular discussing the company’s emphasis on increased regulation.

In a statement sent to *Gambling Insider*, he highlighted a few key moments for Flutter during the period, including its renewed efforts to protect young gamblers, a corporate takeover and the inauguration of a new UK tech hub.

Sloss remarked on Q3 being a largely positive period for Flutter; however, the newly regulated online gambling market in the Netherlands has forced the company to cease its operations in the region.

“With the group continuing to flex its muscles in M&A, Flutter has recently announced a takeover of B2B gaming software developer Singular, in a bid to expand reach into CIS member states”

Flutter must now look to other jurisdictions and seek alternative revenue streams to account for this shortfall.

As a result, its eastward push into the Russian-led Commonwealth of Independent States (CIS) with the acquisition of B2B software developer Singular comes at a key moment for the group.

“With the group continuing to flex its muscles in M&A, Flutter has recently announced a takeover of B2B gaming software developer Singular, in a bid to expand reach into CIS member states. The group’s expansion ambitions will give investors confidence,” said Sloss.

In addition, Flutter doubled down on its commitment to protect younger customers, introducing a €500 (\$594) spending cap for under-25s, a move, according to Sloss, that was prompted by increased regulation.

He commented: “Undoubtedly, these measures are designed to respond to an increase in regulation, with the suspension of business in the Netherlands costing the group an estimated £10m in EBITDA in 2021, and £40m in 2022.”

GI Verdict: Flutter’s third quarter performance was mostly good, especially in the US. The Irish bookmaker managed to see off competition to keep its top spot in the States, despite things heating up with the start of the NFL season. However, it faces greater difficulties in Europe. Increased regulation in Flutter’s home market looms, and an end to its Dutch operations has already taken a hefty toll. While the group is responding to these issues, it may need to ramp up its efforts.

THIS WEEK IN NUMBERS

£10.6m

Donated to UK gambling charity GambleAware in the first half of the 2021-22 fiscal year (\$14.4m)



\$293.9m



Accepted in wagers at Virginia's online sportsbooks for September

22

People arrested in Singapore for illegal gambling and betting activities



AU\$125m



Settlement reached by Crown Resorts in a class action lawsuit over a Chinese marketing campaign (US\$93m)

42%

Increase in PointsBet's handle for Q1 of the 2022 fiscal year



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

► **The Seminole Tribe** this week launched a sports betting app using the Hard Rock Sportsbook platform in the state of Florida, where the legal status of gambling remains in question. The launch was made quietly, with no official announcement, as it comes amid legal challenges to a ruling which supposedly legalised online betting last May.

Kambi Group signed a multi-year partnership agreement with Desert Diamond Casinos, an Arizona-based casino company owned and operated by the Tohono O'odham Nation. The B2B sports betting business inked a deal with the tribal operator that will see its sportsbook come to Desert Diamond Casinos' properties in Q4 2021; with an online sportsbook offering to follow under the newly formed Desert Diamond Mobile brand.

Scientific Games has acquired Authentic Gaming, marking the company's first foray into the live casino market. The provider has long held ambitions of becoming the go-to firm in the field of cross-platform global gaming, with this purchase bringing Scientific one step closer to achieving that goal. That said, it remains some way behind market leader Evolution in this area. "We are thrilled to have Authentic Gaming join the Scientific Games family," said Barry Cottle.

Gaming Realms was approved for a full iGaming Supplier Licence in the state of Michigan. The developer and licensor of mobile-focused gaming content was issued with its provisional licence in Michigan in January 2021, with the full licence now added to its other two full licences for New Jersey and Pennsylvania. The group added that its application to supply games in Ontario has been submitted, and is currently being processed.

International Game Technology (IGT) will develop Marilyn Monroe-themed lottery games following a deal with Authentic Brands Group (ABG). IGT acquired the rights to use the famed

Hollywood starlet's likeness in a series of upcoming lottery titles, after it signed a licencing agreement with ABG, the overseers of the Marilyn Monroe Estate. The gaming giant also agreed a multi-year contract with Yggdrasil Gaming to distribute the supplier's content in the US and Canada.

Tennessee sportsbooks saw a record \$257m in wagers for September, up 78% from \$144.5m. Bettors placed \$8.6m in wagers per day over September, which is up from \$4.7m per day during August; but according to PlayTenn analysts, the market still has plenty of room for growth. A record was also set with gross gaming revenue, rising to \$25.6m, a 94% increase from August's \$13m and topping January's \$20.9m.

Colorado sportsbooks generated handle of \$408m for September, also setting a new state record for the highest amount of wagers in a single month. The return of the NFL and college football led to the influx in wagers, as handle grew 92.5% from August. Handle was also up 96.2% year-on-year. Online wagers made up \$403m, or 98.8%, of all bets in September.

In addition, **Nevada's casinos** continued racking up the winnings in September, surpassing a \$1bn gaming win for the seventh consecutive month. According to data released by the Nevada Gaming Control Board, casinos statewide reported winning revenue of approximately \$1.16bn for September, up 41% from \$820.98m for September 2020. Casinos on the Las Vegas Strip reported an increase of over 80% compared to the same month of 2020, accumulating a gaming win of \$640m.

The **Casino Association of New Jersey (CANJ)** this week named Joe Lupo its new President. Lupo is the President of Hard Rock Hotel and Casino Atlantic City and succeeds Terry Globocki, former CEO of Ocean Casino Resort. With over 35 years in the industry, Lupo has been serving as the President of Hard Rock Atlantic City since 2018.

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7%

Rise in Svenska Spel's revenue for Q3, as all operations were up and running again, to SEK 2bn (\$232m)

\$6.05bn

Sale of Scientific Games' Lottery business to Brookfield Business Partners



97%

Increase in Evolution's operating revenue for the third quarter, to €768.5m (\$890.7m)

MACAU OCTOBER GGR DOWN YET AGAIN; THIS TIME BY 40%

Macau has reported gross gaming revenue (GGR) of MOP4.37bn (\$544m) for October 2021, a 40% decline year-on-year.

The figure, from the Macau Gaming Inspection and Coordination Bureau (DICJ), is also a 26% decline from September 2021, when GGR reached MOP5.88bn.

October's total is the lowest of all months in 2021 so far, falling just behind August's MOP4.44bn.

May's GGR of MOP10.45bn is the highest. The only other month to report a year-on-year decline is January, when GGR fell by 64%.

The disappointing figures come amid a small outbreak of Covid-19 cases in Macau in late September. This led to neighbouring Zhuhai introducing a measure that required all arrivals from Macau to enter a 14-day quarantine. The measure was lifted in mid-October after two rounds of mass testing returned no further positive results.

Visitor arrivals to Macau have, however, been increasing steadily since late

last month. According to the Macau Government Tourism Office, a total of 28,299 visitors was recorded on 26 October, the highest daily tally since late September.

Total GGR for the first 10 months of 2021 now stands at MOP72.15bn, a 57% increase from the first 10 months of 2020.

GI Verdict: The 40% decline will of course be a worry for the Macau gaming industry, which had actually started 2021 off on a relatively positive note, apart from January.

It may not, however, come as any real surprise to those within the region, such have been the recent struggles with Covid-19.

The improvement in visitor arrivals is the silver lining here. Interested parties will be hopeful that those figures continue to improve, though nothing can be taken for granted in this challenging time for Macau's casinos, which are faring worse than other areas around the globe.

THE WEEK IN QUOTES

“Turnover in the gaming market has increased and online gaming has probably benefitted from changed consumption patterns since the re-regulation. There is a risk that this has led to a long-term behavioural change with increased gambling.”

Sweden’s Minister of Social Insurance Ardan Shekarabi following the announcement that temporary restrictions on gambling were to be lifted as planned

“It is heartening to see that this campaign is helping to signpost more people to treatment for gambling harms, and also working to drive greater awareness of the provision of treatment services.”

Zoë Osmond, CEO of GambleAware, on the success of the National Gambling Treatment Service

FANDUEL AND DRAFTKINGS REPORTEDLY SUBMIT BIDS FOR THE ATHLETIC

FanDuel and DraftKings are among several businesses that have submitted bids to acquire The Athletic.

In September, The Athletic reportedly hired investment bank LionTree to seek a buyer at a valuation of over \$750m.

At that time LionTree had planned to have all bids submitted for the sports media outlet by mid-October 2021.

Although it is uncertain whether it can ascertain its expected value, as the site is reported to be unprofitable and “burning cash;” betting companies are interested in sports media, dramatically raising the site’s chances of receiving a “proper offer.”

The Athletic and Axios were planning to merge and go public, but the sports media outlet decided to put the talks on hold as it began negotiations with the New York Times. Yet the potential deal with the New York Times broke down over a disagreement on how to compensate the sports site’s employees who held equity in the company.

The sports media outlet includes Founder Fund, Courtside Ventures and Powerhouse

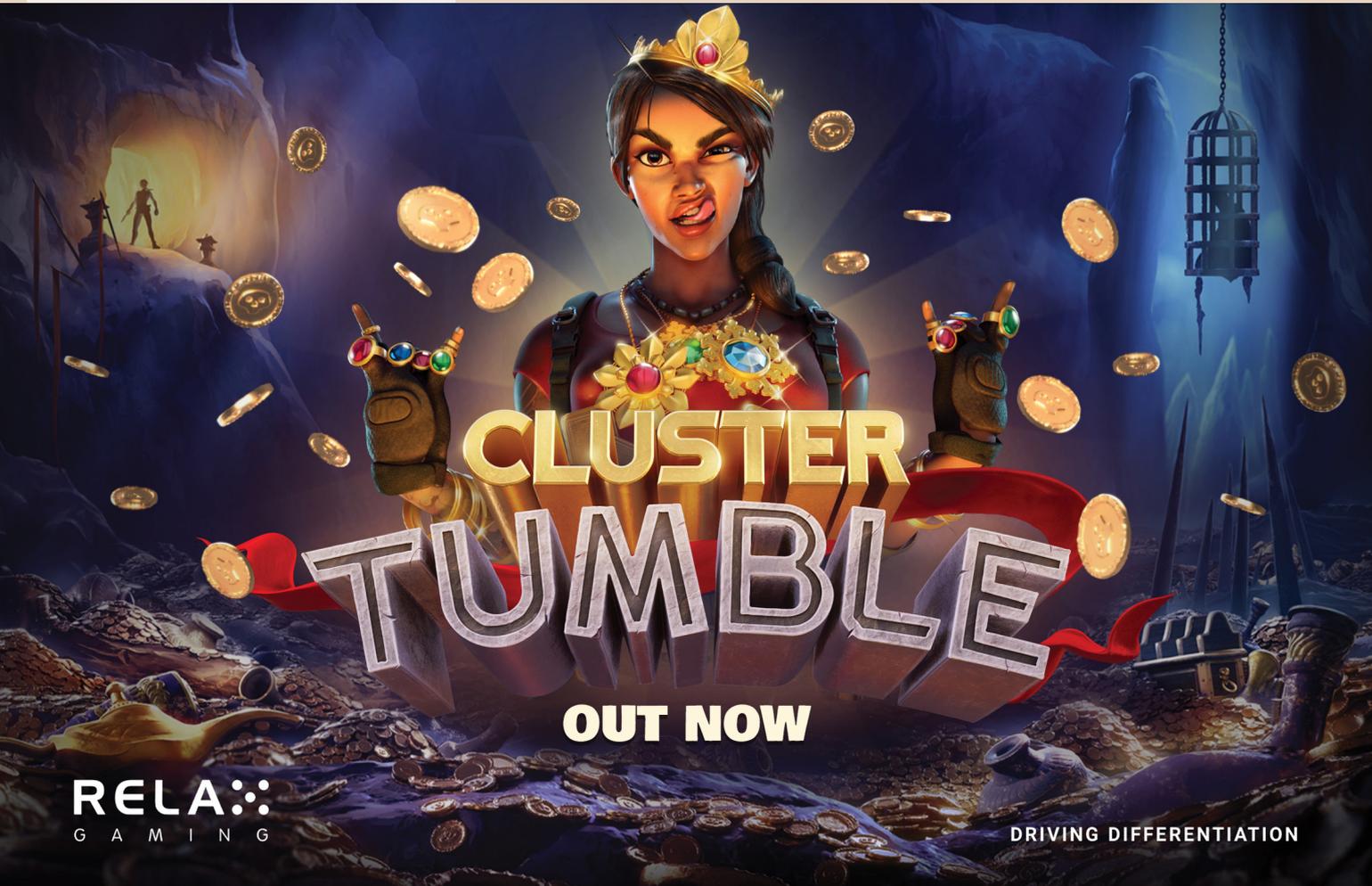
Capital as investors. The subscription-only site currently has around 1.2 million subscribers and had benefited from a post-money valuation of \$530m, following a funding round in 2020.

Reports said The Athletic’s 2021 revenue would be nearly \$80m (showing a 50% increase year-on-year), and 2022 revenue is expected to reach \$120m.

FanDuel recorded \$902m in revenue during the first half of the year, while DraftKings’ Q2 2021 revenue grew 297% year-over-year to \$298m.

GI Verdict: The growing interest in sports media companies from betting companies is something that simply cannot be ignored in 2021, with many in the industry seeing it as the way forward ever since sports betting has been legalised.

Whether or not buying The Athletic is the right approach remains to be seen; but given its current revenue and revenue potential, and the fact that two major names are reportedly interested, it looks will more than likely that it will be acquired. But will it end up in gaming?



STRONG GROWTH FOR CAESARS IN Q3 REPORT

Caesars Entertainment has reported revenue of \$2.7bn for the third quarter of 2021, showing a 93% increase from the prior-year period.

Of the total revenue, \$1.01bn was generated by Las Vegas operations, while Regional represented \$1.49bn. Caesars Digital came to \$96m, Managed and Branded represented \$79m, and Corporate and Other \$1m.

Net loss reported by the company was \$233m compared to a net loss of \$926m for the same period of 2020; adjusted EBITDA was \$882m compared to \$433m for the prior-year period. But this, nevertheless, still represented a loss.

Excluding the group's Caesars Digital segment, adjusted EBITDA was \$1bn versus \$420m for the prior-year period.

Caesars Entertainment CEO Tom Reeg said: "Our third-quarter operating results reflect an all-time quarterly EBITDA record in our Las Vegas segment and a new third-quarter EBITDA record for our regional segment. We are encouraged by the early results from our rebranded

Caesars Sportsbook launch and we are looking forward to launching additional states by year-end and into 2022."

The report highlighted the appointment of Sandra Douglass Morgan to the company's Board of Directors and the Environment, Social and Governance update included in the group's new Corporate Social Responsibility programme.

Caesars Entertainment CFO Bret Yunker added: "As of October 19th 2021, we have repaid a total of \$975m of traditional debt on a year-to-date basis. When combined with the repricing and issuance of lower-cost debt during the third quarter, our pro forma interest expense has been reduced by approximately \$75m on an annual basis.

GI Verdict: With an almost double year-on-year revenue increase, and the addition of Douglass Morgan to its Board, the group looks to be on the right track. Given its purchase of William Hill, and the overall synergies expected following the initial \$17.3bn merger with Eldorado, expectations (and pressure) remain high.

"Responsible gambling is a very important part of our business philosophy. By implementing Gamalyze on our websites, we give visitors an opportunity to test their gambling habits and find out if their gambling behaviour presents as fun and entertaining, as it should be, or if it is potentially problematic."

Better Collective CEO Jesper Søgaard on bringing Mindway's Gamalyze self-testing tool to its sports betting media brands

"From the start of the pandemic, we have promised our employees that we will always put their health and wellbeing first. This policy is consistent with that - and consistent with our responsibility to care for not only our employees, but our guests, our partners and our investors' interests."

Steve McCann, Crown Resorts CEO, on the operator's decision to make vaccines mandatory for staff and customers

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Flutter Entertainment ↓ 9%
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Caesars Entertainment ↔ 0%
110.69 USD

MGM Resorts ↑ 4%
48.70 USD

Aspire Global ↑ 6%
82.30 SEK

Elys Game Technology ↑ 5%
5.03 USD

COMEON GROUP GOING HYBRID WITH NEW OFFICE MODEL

ComeOn Group has launched its new 'Hybrid Office' model worldwide, aiming to make work easier and more flexible for its employees.

The Covid-19 pandemic has forced many companies to migrate away from their workspaces, having their employees working remotely and maintaining communication via online platforms and apps.

The Malta-based operator is planning to globally launch this trend, allowing staff to come into work as normal or choose to work remotely from anywhere they decide.

Daniela Vella, COO of ComeOn Group, insisted that during the last two years "all of the teams rallied together and made working from home a success."

She continued: "However, one of the common threads was that the offices were an incubator for ideas, brainstorming and generally, just meeting with our awesome colleagues – so this decision was a no-brainer for us."

ComeOn has been operating for over 12 years and has grown to over

500 employees, with offices in seven locations. Yet the changes Covid brought prompted the operator to develop its Hybrid Office model.

On the back of research conducted by a team of HR strategists and project managers, the group decided a flexible working set-up was the best option for the work-life balance of its staff.

Juergen Reutter, CEO, commented: "In the beginning of the year, we polled our people on how they prefer to work post-pandemic; 91% answered to keep it flexible. So, with these figures in hand, we are investing in a true, top-notch quality hybrid office setup for our employees, to participate in face-to-face collaborative working experiences when they are in our locations."

GI Verdict: With many employees preferring to work from home and many companies offering this option, is it possible this will be the new standard work model from now on?

More on this topic in the Nov/Dec issue of *Gambling Insider* magazine.



SEPTEMBER: LAS VEGAS REVENUE RISES

Gaming revenue for Nevada and the Las Vegas Strip rose year-on-year for September and compared to the same month in 2019.

The state's revenue rose 9.47% to \$1.158bn vs. 2019, and the Strip was up 9.91% to \$640.633m.

The Strip suffered from lower baccarat hold this year compared to 2019, though that revenue would have declined just 5% instead of the 24% if hold was the same for both years.

Outside of the Strip, gaming revenue continued to be robust, with the Las Vegas locals market rising 12.91% to \$240.75m and Downtown growing 10.79% to \$73.034m.

South Lake Tahoe was negatively impacted by the Caldor fires and evacuations early last month as evidenced by the harsh declines from 2019 and last year.

Las Vegas' revenue growth came despite a 2.1% decline in visitation at 2.936m from August and a 15.5% decline from 2019.

REGION	SEPTEMBER REVENUE (M)	CHANGE (%)	
		VS 2019	VS 2020
Nevada	\$1.158 (BN)	+ 9.47	+41.07
Las Vegas Strip	\$640.633	+9.91	+80.64
Clark County	\$1.005 (BN)	+10.19	+50.78
Downtown LV	\$73.034	+10.79	+41.09
North LV	\$22.346	-17.06	+13.23
Laughlin	\$37.343	- 6.36	-3.77
Boulder Strip	\$ 81.471	+9.26	+7.31
Mesquite	\$13.425	+30.08	+16.71
Balance of County	\$136.932	+22.57	+19.84
Las Vegas Locals Market	\$240.750	+12.91	+14.68
Washoe County	\$89.059	+16.81	+12.99
Reno	\$62.703	+13.29	+ 9.89
Sparks	\$15.226	+31.81	+23.11
North Lake Tahoe	\$2.089	- 18.86	- 11.06

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VENDOR INDEPENDENCE

Balance of County	\$9.040	+33.60	+28.34
South Lake Tahoe	\$5.643	- 68.98	- 77.24
Elko County	\$30.210	+10.24	+19.72
Wendover	\$20.245	+ 8.23	+21.20
Balance of County	\$9.965	+14.55	+16.84
Carson Valley Area	\$10.638	+ 8.67	+7.77
Other Areas	\$17.433	+23.48	+11.68



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DELZAD DALAL,
*HEAD OF BUSINESS
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*Dalal argues that the
iGaming sector overlooks
business intelligence to its cost*

Following the Covid-19 pandemic and the increasing cost of regulation and compliance, operators might be forgiven for placing the extra investment required for business intelligence technology on the back burner. But we at Pronet Gaming believe it is simply too important to be delayed or ignored.

“We are what we eat and the same applies to BI software. We are outsourcing a great deal of our industry’s activities to AI, but these machines can’t create bricks without clay; they need data – and good quality data, lots of it”

We are told that information is power, but in the last decade, the amount of data at our fingertips has exploded. This has made it more difficult to identify what information is important and what can be discarded.

Business intelligence tools exist to do this job for us, and yet they still seem to be an afterthought to many within iGaming. I suspect this might be down to a simple misunderstanding of what BI is and what it can do.

What is business intelligence?

The more you report, the more you can improve. Business Intelligence is largely grouped into two categories. The first is

the basic reporting of events once they have occurred, asking questions like “What happened yesterday?” followed up by a more detailed review, asking “Why did it happen?” A combination of the two will usually lead to a much better view of the key drivers of business performance, both positive and negative.

This supplies the organisation’s leadership with a much more dynamic understanding of areas doing well within the business, and areas that require intervention.

How can an online casino benefit from this actionable intel?

Data accuracy

The report is only as good as the numbers and, more often than not, data accuracy issues come from the data source. Having a reliable and user-friendly BI tool, as well as the expertise to operate it, makes the process of improving that accuracy a lot easier. This can help solve a whole host of problems – both big and small.

Minor issues which are prone to be overlooked can be minimised with BI; and with our tools, we can enact a search and resolve them in a matter of seconds, rather than the hours or even days it might take locally.

Machine learning

We are what we eat and the same applies to BI software. We are outsourcing a great deal of our industry’s activities to AI, but these machines can’t create bricks without clay; they need data – and good quality data, lots of it.

BI specialists in partnership with machine learning engineers are getting better at identifying this. In fact, the slightly scary thing is that we are getting so good, we might replace ourselves with machines in BI in the not-too-distant future.

However, on the upside, because machine learning and advanced BI technologies such as Microsoft Power BI take away the need to continually gather and analyse data manually, it frees up analysts to spend more time partnering with business leaders.

This way, it can help them improve their products even further – something which is surely worth more investment among iGaming companies than we are currently seeing.

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