



WEEK 09

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Q4 ROUND-UP: FLUTTER ENTERTAINMENT, SCIENTIFIC GAMES, IGT, DRAFTKINGS

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FRIDAY 05 MAR 2021

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Q4 ROUND-UP: FLUTTER ENTERTAINMENT, SCIENTIFIC GAMES, IGT, DRAFTKINGS

THIS WEEK

- **Jim Murren forms second SPAC**
- **CEO Therese Hillman leaves NetEnt**
- **Entain ups bid to acquire Enlabs**
- **888 to Playtech: Brian Mattingley switch**

GUEST COLUMNIST:

- **Michael Zhu, The Innovation Group**



Q4 reports from Flutter Entertainment, Scientific Games, DraftKings and International Games Technology (IGT) have highlighted the benefits of operational diversity, and the continued importance of online verticals in the modern climate.

FLUTTER ENTERTAINMENT

Flutter Entertainment finished 2020 strong, with pro-forma FY revenue up 27% year-on-year following its successful acquisition of The Stars Group.

A growing player base and the return of sports throughout 2020 grew company revenues by 37% in Q4, the largest YOY quarterly increase of the year. Flutter's US

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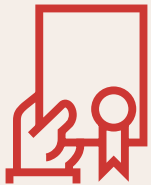
THIS WEEK IN NUMBERS

15

The amount of consecutive English Premier League wins recorded by Manchester City after its 4-1 win against Wolverhampton Wanderers, prompting operator Bovada to pay out early on the club to win the title



3 March



The date from which visitors to casinos in Macau were no longer required to show a negative Covid-19 test when entering

The number of groups seeking a licence to operate an Integrated Resort in Nagasaki, Japan, who have had their proposals pass the latest application phase; with the region's prefectural government to create a final shortlist of three



\$30m

Esports Entertainment Group completed the acquisition of the business assets of Lucky Dino Gaming Limited through its Malta gaming licensed subsidiary, for the aforementioned amount

9%

The drop in month-on-month gross gaming revenue (GGR) seen in Macau for February; down to MOP7.31bn (\$914.5m), which was a 136% year-on-year increase



and PPB Online operations saw rises of 101% and 36% respectively, whilst PPB Retail closed 42% down on the same period in 2019.

The Group recorded 7.6 million average monthly players in Q4, a 32% YOY increase that brought its FY total to just over 6.3 million, a growth of 19%. Flutter's online verticals accounted for 96% of total revenue in the year, with a condensed sports fixture calendar in Q4 helping the group post a pro forma total of \$5bn, a 34% increase.

SCIENTIFIC GAMES

Scientific Games saw Q4 revenues of \$762m, a 9% climb from the previous quarter, but a 12% drop year-on-year.

The company's gaming operations continued to be heavily impacted by the Covid-19 pandemic, recording a 36% drop in YOY revenue to \$268m, while its SciPlay vertical saw a 30% increase, earning \$147m in the period. Elsewhere digital revenue reached \$73m and lottery \$256m respectively.

Net loss for the period to 31 December 2020 stood at \$84m, a 47% decrease on 2019's figure of \$37m, bringing Scientific Games' FY revenue total to \$2.72bn, down from \$3.4bn the year prior.

"The strong execution coupled with the diversity of our business enabled positive cash flow," said CEO and president of Scientific Games Barry Cottle.

"The executive team and our board are working purposefully to transform our company, capitalise on the evolving industry trends and deliver outsized returns to our shareholders."

DRAFTKINGS

DraftKings reported revenue of \$322m for the three months to December 31 2020, a 146% increase on the \$131m recorded in the same period in 2019.

Boosted by a favourable sports calendar and the continued opening up of the US online gaming market, DraftKings' monthly unique players increased 44% compared to the fourth quarter of 2019.

On average, 1.5 million unique customers engaged with the platform per month during the period.

On the back of this strong performance, the operator has increased its 2021 revenue guidance from \$750m-\$850m to \$900m-\$1bn. The new projections equate to YOY growth of 40%-55%, as opposed to the 19% increase stated in the company's midpoint guidance.

Jason Robins, DraftKings' co-founder, CEO and chairman of the board commented: "We are raising our revenue outlook for 2021 due to our expectation for continued growth, the outperformance of our core business and newly launched states that were not included in our previous guidance."

IGT

IGT saw total Q4 revenue drop from \$1.04bn in 2019 to \$885m, as the challenging operational climate caused by Covid-19 continued to adversely impact trading.

The supplier's global gaming revenue for the period stood at \$255m, a 46% YOY decrease despite positive performances from its lottery and digital verticals. The former recorded a quarterly revenue increase of 11%, reaching \$630m, while the latter rose almost 55% YOY.

CEO Marco Sala told investors: "The solid results we achieved for this pandemic-impacted year have given us momentum into 2021. They are a result of the vision, agility, and discipline of the IGT team as well as the distinct advantages of our diverse portfolio.

"We also made important strategic progress. The company undertook a comprehensive reorganisation, to sharpen our focus on our core competencies and drive structural operational efficiencies.

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\$22.1m



The amount – JPY2.35bn – Pixel Companyz Co Ltd reported in sales for full-year 2020, which represented a year-on-year decline of 7%

13%

Increase in sports betting revenue seen by Delaware on a year-on-year basis for January, which amounted to \$1.7m



\$15m



Secured by Simplebet in its latest round of financing, taking the total raised by the sports betting supplier to \$50m

EX-MGM RESORTS CEO JIM MURREN FORMS SECOND SPAC; WILL TARGET SPORTS BETTING

Former MGM Resorts International CEO Jim Murren has filed registration for a second SPAC that would target entertainment, casino gaming, sports betting and online gaming.

Murren and partners filed a registration statement with the SEC under Acies Acquisition Corp. II, a special purpose acquisition company (SPAC), or what is commonly referred to as a blankcheck company.

“We are focused on identifying a business combination target within the live, location-based and mobile experiential entertainment industries,” the SEC registration statement says.

“Specific sectors that we will target span live events, family entertainment, casino gaming, destination hospitality, sports, sports betting and iGaming.

We will pursue both consumer-facing operators as well as the business-to-business platforms that support them. We are predominantly focused on the US; however, our search may expand to international markets.”

The Acies II board includes Zach Leonsis, son of Monumental Sports

owner Ted Leonsis, who also owns the Washington Wizards and Capitals along with Fenway Sports (Red Sox) CEO Sam Kennedy. Curtis Polk, vice chairman of Hornets Sports & Entertainment and an advisor to Charlotte Hornets owner Michael Jordan, will serve as an advisor.

Other notable gaming SPAC deals include DraftKings’ merger with Diamond Eagle Acquisition Group and Tilman Fertitta-backed Landcadia Holdings II’s acquisition of Golden Nugget Online Gaming.

Murren’s first SPAC, Acies Acquisition Corp., acquired Las Vegas-based social gaming provider PlayStudios earlier this month. SPACs are considered an accelerated path to a public listing.

GI Verdict: While much of the industry is struggling to cope with the impact of the ongoing pandemic, Murren is showing no signs of slowing down.

With the list of names currently on the Acies II board, this development is definitely one to keep an eye on; while Murren certainly knows his way around the industry, meaning success is more than likely on its way.

THE WEEK IN QUOTES

“Following the successful launch of Virginia’s sports betting program, it is anticipated bonuses and promotional expenses tied to customer acquisition will decline considerably, increasing adjusted gross revenue and tax revenues to a more sustainable level.”

A statement from the Virginia Lottery, after the state’s online sportsbooks generated \$59m of handle within the first 11 days of sports betting launching in January

“Firstly, I apologise profoundly for any offence that this photo has caused and can categorically state the welfare of each and every horse under my care is paramount, and has been central to the success we have enjoyed here at Cullentra.”

Horseracing trainer Gordon Elliott apologises for a controversial photo of him sitting on a dead horse on the side of a gallop

THERESE HILLMAN STEPS DOWN AS NETENT CEO

NetEnt CEO Therese Hillman has announced her departure from the online slots supplier effective immediately.

In a LinkedIn post on 28 February, Hillman confirmed “today is my last day at NetEnt” after nearly three years as president and CEO of the supplier, having taken up the role in May 2018.

She joined NetEnt in January 2017 as CFO and spent time as acting CEO in April 2018, before taking on the role full-time a month later.

Hillman helped oversee the supplier’s acquisition of Red Tiger in September 2019, in an all-cash deal with an initial value of £197m (\$274.8m).

Her announcement comes several months after the supplier was fully taken over by Evolution in early December, after agreeing to purchase NetEnt in a deal worth SEK 19.6bn last June.

In her LinkedIn announcement, Hillman thanked everyone involved during her time at NetEnt.

She said: “I would lie if I would say that my three years as the CEO have been easy and fun.

“It has truly been a challenge from day one and a lot of tough decisions had to be made.

“We have had our highs and lows and I am very thankful for the hard work that was carried out with exciting game releases, new market entries, the Red Tiger acquisition and much more, and at the same time, going through savings programs and re-organisations.

“Now, our group has been integrated to Evolution and is in the best of hands. I am excited to see how the business will continue to develop and I am also looking forward to seeing the product innovations that will be offered to operators and players around the world.”

GI Verdict: Hillman’s exit was on the cards ever since Evolution completed its acquisition of NetEnt last December. She took the supplier far, itself acquiring Red Tiger in 2019. With the organisation in the hands of Evolution now, her departure was inevitable, although that’s not to downplay the influence and role she has played in growing NetEnt to what it is today.

The background of the advertisement is a dark, blue-toned image of a complex circuit board or server rack. The Omega Systems logo is prominently displayed in the upper left quadrant. The logo consists of the Greek letter Omega (Ω) followed by the word "MEGA" in a bold, sans-serif font, and "SYSTEMS" in a larger, all-caps, sans-serif font below it. The text is white and stands out against the dark background. In the lower right quadrant, there are four lines of text: "TAKE CONTROL", "PLATFORM SOFTWARE", "GLOBAL COMPLIANCE", and ">220 INTEGRATIONS", all in white, all-caps, sans-serif font. At the bottom right corner, the website address "omegasys.eu" is written in a smaller, white, lowercase font.

ΩMEGA SYSTEMS

TAKE CONTROL

PLATFORM SOFTWARE

GLOBAL COMPLIANCE

>220 INTEGRATIONS

omegasys.eu

“I’d like to welcome John Whittingdale to his expanded role and enhanced responsibilities at DCMS. I know John well from my time in Parliament and in the music industry. John commands huge respect and he is a formidable politician who brings a wealth of experience and knowledge.”

Betting and Gaming Council CEO Michael Dugher congratulates John Whittingdale MP, who has taken over the overseeing of the UK Government review of the 2005 Gambling Act

“Sports betting is alive and kicking, despite 2020’s unfortunate turn of events. We went through some wild couple of months last year, which we’re all going to remember, that’s for sure. We’ve definitely seen more uptake. We came out really strong from 2020 despite Covid-19 and the sports shutdown.”

EveryMatrix CEO Ebbe Groes speaks to Gambling Insider about how resilient the sports betting industry has been, despite the pandemic

ENTAIN UPS OFFER TO ACQUIRE ENLABS BY 32.5%

Entain has increased its offer to purchase Enlabs AB to SEK 53 per share (\$6.25).

As previously reported by *Gambling Insider*, Entain had stood by its original offer, making its new proposition somewhat of a U-turn.

On 7 January, Entain announced a recommended public cash offer to Enlabs, which was met with opposition by Enlabs shareholders.

That offer was worth SEK 40 per share and has now increased 32.5% to SEK 53, with the offer being declared as final by Entain.

Rob Wood, Entain CFO and deputy CEO, said: “In a highly competitive and regulated industry, where consolidation is a key theme, Entain is able to provide the scale and platform needed to further support Enlabs’ long-term growth, and we firmly believe Entain will be the best home for Enlabs, its employees and customers.

“Against this background, we have decided to make a final offer of SEK 53 to all shareholders, providing an opportunity to exit their investment at a very attractive valuation.

“We are pleased that shareholders with around 51 per cent have now irrevocably agreed to accept the offer and would urge other shareholders to do the same by 18 March.”

Entain was itself the subject of a takeover bid from MGM Resorts International earlier this year, although that deal went quiet quicker than anyone expected and seems to be off the table for now.

The operator’s share price currently sits at £14.40 (\$20.11), while Enlabs’ is up to SEK 52.40, just under the offered price by Entain.

GI Verdict: In an interesting turn of events for Entain, it is now the one looking to acquire another company, having been the subject of the aforementioned takeover bid from MRM Resorts for quite some time.

Focusing on the latest Entain development, however, it will be interesting to see just how rapidly or slowly this one progresses. The 18 March deadline could mark the latest in a long line of M&A deals involving Entain.

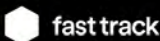
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SHARE PRICES COVER WEDNESDAY
24 FEBRUARY TO WEDNESDAY
3 MARCH (4:30PM GMT)

Flutter Entertainment  5%
14,675 GBp

IGT  6%
19.07 USD

DraftKings  16%
70.06 USD

Scientific Games  9%
52.31 USD

Elys Game Technology  2%
6.70 USD

BRIAN MATTINGLEY LEAVES 888 TO BECOME PLAYTECH CHAIRMAN

Playtech has announced 888 Holdings chairman Brian Mattingley is to become its non-executive chairman from June.

Mattingley will take over from Claire Milne, who has served as interim chairman since May 2020, after replacing Alan Jackson who chose to step down from his role in May 2019.

The 888 chairman has been at the operator since 2005 after joining as non-executive director, before being appointed as CEO in March 2012. He has been in his current role since May 2015 and, before joining 888, held senior roles at the likes of Gala Group and Ritz Bingo.

Milne leaves having been appointed to the board in July 2016, before being made interim chairman last May.

Last month, Playtech shareholders spoke of their dismay at failing to appoint a "high-profile chairman" after Jackson stepped down.

Jason Ader, who holds a 5% shareholding in Playtech, had said: "we don't support Claire Milne as the future chairwoman of Playtech; we believe

there are better candidates to lead this company into US gaming markets and lead it in its various endeavours over the course of the next decade."

Mattingley, who will succeed Milne on 1 June, said: "I'm very pleased to be joining Playtech at such an exciting time in the company's development. Playtech is ideally placed to continue to build on its market leadership position and I look forward to working with everyone at Playtech to drive forward its strategy and capitalise on the opportunities ahead."

GI Verdict: It looks as if shareholders such as Ader have got their wish with Playtech appointing the "high-profile chairman" they were craving.

Investors such as Ader were unhappy that Milne was chair during a crucial period for the company in the midst of a governance review, after it was fined £3.5m (\$4.9m) by the Gambling Commission for regulatory breaches.

The appointment of Mattingley should certainly appease them.



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JANUARY: NEVADA, LAS VEGAS STRIP FALL

Nevada's gaming revenue fell 26.58% to \$761.848m in January while the Las Vegas Strip fell 43.81% to \$321.528m.

Baccarat once again had weak hold compared to last year, though play dropped by nearly one-third.

Washoe and Elk counties went against the grain, growing over last year with strong growth out of North Lake Tahoe and Wendover.

Capacity remained at 25% for the month.

Sports betting revenue jumped 160% to \$52.38m while handle fell just short of a record with \$646.68m.

REGION	REVENUE(M)	ANNUAL CHANGE (%)
Nevada	\$761.848	-26.58
Las Vegas Strip	\$321.528	-43.81
Clark County	\$617.294	-31.72
Downtown LV	\$48.896	-17.29
North LV	\$21.021	-20.90
Laughlin	\$33.489	-27.58
Boulder Strip	\$66.179	-7.90
Mesquite	\$13.132	+6.31
Balance of County	\$113.050	-2.22
Las Vegas Locals Market	\$200.250	-6.45
Washoe County	\$68.730	+4.91
Reno	\$48.403	+1.86
Sparks	\$11.715	+5.74
North Lake Tahoe	\$1.991	+23.77
Balance of County	\$6.621	+24.75
South Lake Tahoe	\$17.851	-11.46
Elko County	\$31.761	+25.90
Wendover	\$22.003	+23.13
Balance of County	\$9.758	+32.63
Carson Valley Area	\$9.780	+12.91
Other Areas	\$16.433	+16.53

STRIP COMPONENTS - MAJOR STRIP SEGMENTS

SEGMENT	REVENUE (M)	ANNUAL CHANGE (%)	WIN PERCENTAGE	
			2021	2021
Blackjack	\$34.298	-52.60	10.26	12.8
Baccarat	\$28.236	-74.3	28.25	11.91
Total Games	\$142.870	-49.94	11.7	12.85
Total Slots	\$178.658	-37.72	8.14	8.42

TABLE DROP

SEGMENT	2020	2019	ANNUAL CHANGE (%)
Blackjack	\$334.288M	\$565.344	-40.87
Baccarat	\$342.255M	\$923.266	-62.93
Total Games	\$1.221BN	\$2.221	-45.02
Slots	\$2.195BN	\$3.405	-35.55

RACE BOOK AND SPORTS POOL - NEVADA

SEGMENT	REVENUE (M)	ANNUAL CHANGE (%)	WIN PERCENTAGE	
			2021	2021
Racebook	\$2.277	-16.50	16.51	16.25
Total Sportsbook	\$52.381	+159.93	N/A	N/A

GUEST COLUMNIST



MICHAEL ZHU
SENIOR VICE PRESIDENT,
INTERNATIONAL
OPERATIONS
PLANNING & ANALYSIS
THE INNOVATION GROUP

In this installment of Innovation Insights, Zhu takes a closer look at the opening of The Londoner Macao in the context of historical visitation trends and the destination's long-term diversification strategy.

Amid the ongoing pandemic impacts that have severely suppressed gaming and entertainment revenues on a global basis, The Londoner Macao, Sands China's new Britain-branded resort, made its debut last month; with a unique set of offerings that are positioned to reach a wider range of guests and reflect the trending diversification of the world's gaming capital.

The London-themed integrated resort (IR), located across the street from The Venetian Macao and The Parisian Macao, represents a thorough revamp of the complex formerly known as Sands Cotai Central. At a development cost of nearly US\$2bn, the first phase of The Londoner Macao features the all-suite Londoner Hotel with approximately 600 luxury suites, a Victorian-style glass atrium known as the Crystal Palace, a series of interactive London-themed attractions, dining venues, MICE space, and a 6,000-seat arena. More amenities and attractions, including another luxurious 370-suite hotel, the Londoner Court, are slated to roll out during the course of 2021.

Designed to attract incremental visitation to the entertainment hub rather than cannibalise the existing market, the new iconic resort opened at a delicate time during the city's recovery from the pandemic.

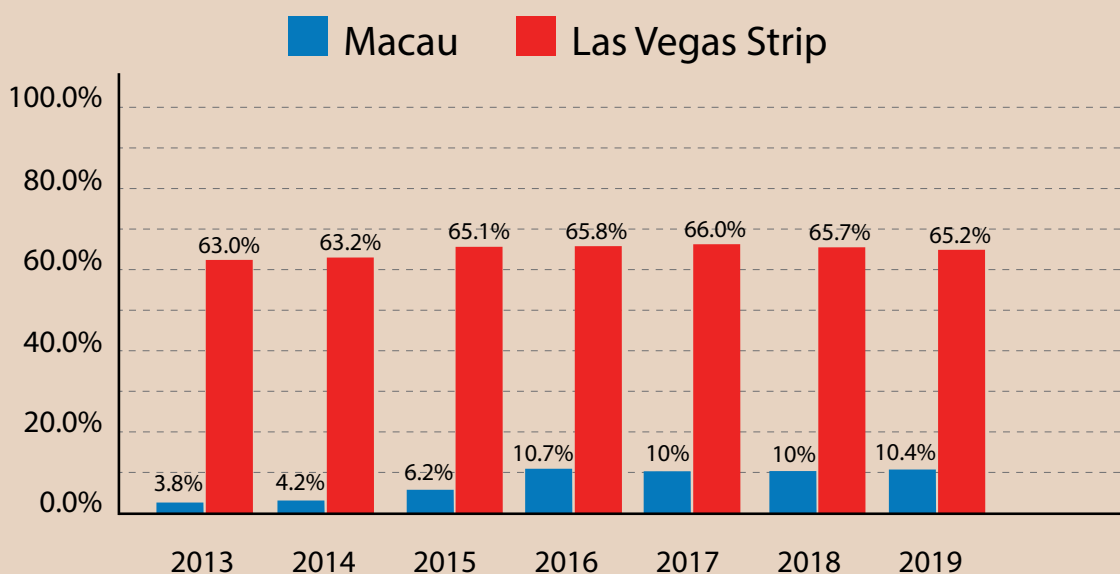
Visitation to the gaming hub had been improving steadily over the 2020 Christmas and New Year holidays, but has been somewhat curbed due to increasing concerns and restrictions related to Covid-19. Nevertheless, Sands China remains highly confident in the market's long-term prospects and aims at "making the pie bigger" by focusing on fresh and unique offerings, and enhancing attractiveness of the destination for both new and repeat visitors to Macau.

More profoundly, as market trends in Macau have been evolving over the past few years, The Londoner Macao presents an intriguing case study on the desired "diversification" of the destination.

The gaming industry has a long history of boosting tourism by acting as a key attraction for marketing purposes, offering world-class entertainment, and enhancing the quality of hospitality services. As part of the strategic, long-term planning, non-gaming amenities in Macau have been consistently gaining more weight of capital spend for new and existing properties. Such non-gaming projects continue to get bolder, bigger and better, whether through sheer development size or diverse and dramatic elements, and create an atmosphere that appeals to guests outside of the traditional "core gamer" segment; reaching a wider range of guests and/or more frequent visitation to transform Macau into a true world tourism and leisure centre.

The enriched, non-gaming amenities have helped and will continue to help Macau achieve a healthier mix of gaming and non-gaming revenues. Prior to the pandemic, Macau's non-gaming revenue as a percentage of total revenue had grown to more than 10% from low single digits in the early 2010s, but still fell quite behind the Las Vegas Strip's 60-70% range, which is commonly viewed as the gold standard when it comes to non-gaming amenities. In its local development plan, the Macau Government suggested that a "40-60 split" (40% non-gaming and 60% gaming of total revenue) in the medium term would be a strategic goal.

Non-Gaming revenues as a percentage of total revenue
Source: Macau Statistics and Census Service, UNLV Center for Gaming Research



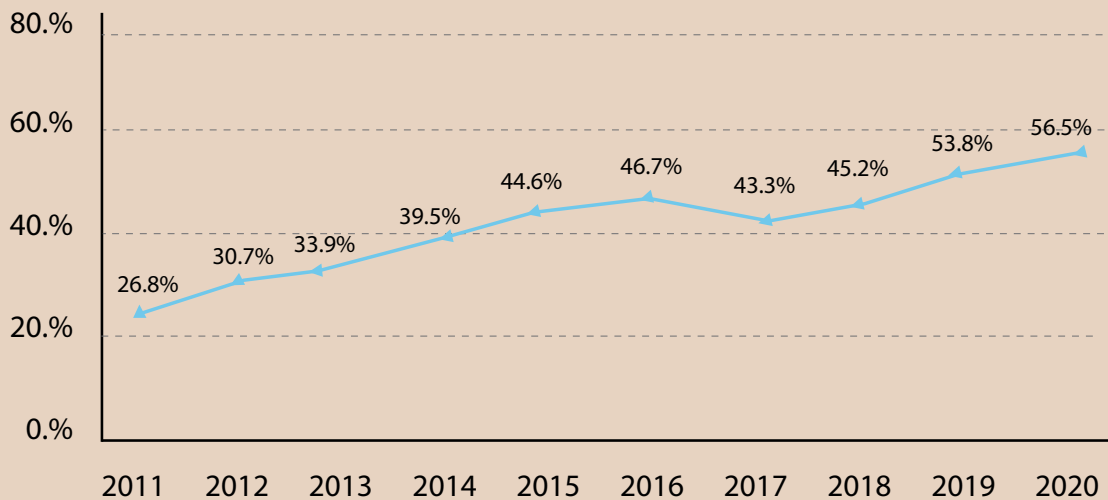
While Macau has been known for getting repeat visitors, what the city needs now are new guests to the market. One segment of particular interest is family travel. Like The Londoner, other properties in Macau are expected to introduce more family-oriented and family-friendly amenities to provide a one-stop entertainment destination for visitors of all ages. Whereas many visitors are currently restricted in terms of available travel options due to the pandemic, it may be a good time for Macau to connect with such prospective visitors. The Londoner Macao is playing an exemplary role on that front.

Within the gaming business itself, it also would make the industry more sustainable by nurturing mass-market gaming rather than relying on the high-grossing but volatile VIP segment. In recent years, Macau has seen the non-VIP segments account for more than half its overall gaming revenue, in contrast to no more than a third of that in the early 2010s, which has established a more robust gaming revenue structure that helps the city to be more resilient against economic fluctuations.

As the conventional Macau-style junket model continues to face headwinds, the diversification from VIP-driven volume to more sustainable premium mass and mass-based growth has increasingly become a focal point. This is well reflected at The Londoner Macao. Not only can the strong connections to British style be appreciated by mass visitors, the property also provides premium offerings like the exclusive Suites by David Beckham – located on the top two floors of The Londoner Hotel, bearing personal touches by the former England football star – to cater to premium travelers from key feeder markets.

On balance, whereas Macau undoubtedly remains the world's largest destination gaming market, the underlying dynamics and conditions have been constantly evolving. The Londoner Macao reflects these changes; and Macau's efforts to grow in a sustainable manner, capitalise on the booming and increasingly wealthy middle class in the region, and better stimulate tourism and related economic benefits.

Non-VIP Revenue as a Percentage of Total Gaming Revenue in Macau (2011-2020)
Source: Macau Statistics and Census Service, UNLV Center for Gaming Research



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