GI FRIDAY

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WEEK 08

FRIDAY 25 FEB 2022

SPORTS BETTING: SACRIFICING MARGIN FOR CUSTOMER ACQUISITION

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THIS WEEK

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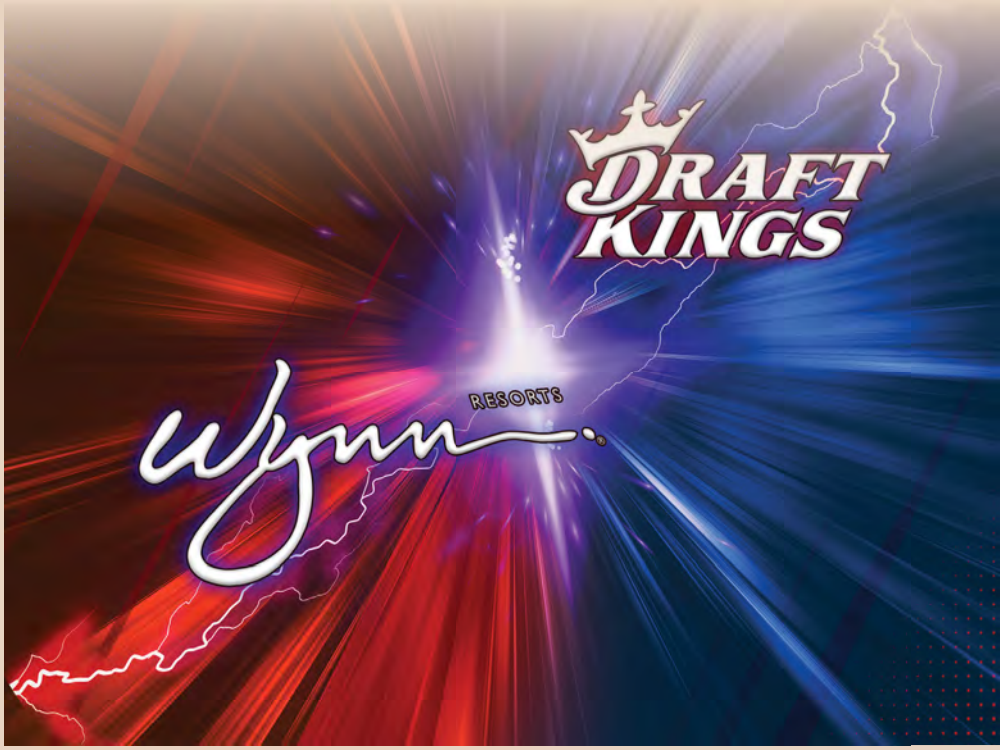
- **Glitnor Group acquires KaFe Rocks**
- **BGC reiterates black-market message**
- **IGT extends Missouri partnership**
- **$2.5bn acquisition for Churchill Downs**

GUEST INTERVIEW:

- **Viktor Radics, Head of Dispute Resolution at DLA Piper, Hungary**



DraftKings' losses continue to mount despite consistent revenue growth amid what Wynn Resorts CEO Craig Billings has called the "user acquisition blitz"

Competition is fierce for control of a share in the United States' betting market.

Big-name brands like FanDuel and DraftKings are battling it out for an ever-larger slice of the America-shaped pie, but who's looking like they'll come out on top — or more importantly, who'll still be standing when the dust settles?

At the moment, the first bell has just been rung and the fighters have returned to their corners, with a few bleeding, including local favourite DraftKings.

The heavyweight fighting out of Boston might sting like a bee, but it certainly doesn't float like a butterfly.

DraftKings published its fourth quarter 2021 financial results on 18 February and its share price was almost immediately sent into freefall.

When trading closed on Thursday, its shares were valued at $22.82, but by Friday evening, this had dropped to $17.74.

To anyone who cared to glance at its Q4 results, this should come as no surprise. DraftKings continued to bleed money, taking its full year net loss to $1.52bn, up from 2020's $1.2bn.

But maybe this is the right play? Morgan Stanley seems to think so. Last month, the investment bank upgraded DraftKings' stock rating from "equal weight" to "overweight", signalling its potential profitability for traders.

Perhaps DraftKings' strategy, like tech giants Netflix, Amazon and Twitter before it, is to sacrifice profitability early on for long-term gains. Will this pay off? That's hard to say, but so far, it seems to be working out for the operator. While DraftKings posted a big loss in its Q4 earnings report, the company also noted a 32% jump in its monthly unique payers (MUP).

On average, two million paying customers engaged with DraftKings during each month of the fourth quarter, and average revenue per MUP also grew by 19%, so maybe there's a method to the madness.

All in all, the operator's Q4 revenue climbed by 47% to $473m, pushing its full-year total over the $1bn mark to $1.3bn, a 101% increase from 2020.

Jason Robins, DraftKings' Co-founder, CEO and Chairman, remained positive, remarking: "DraftKings' strong fourth quarter performance exceeded our expectations on the top and bottom line.

"Our excellent quarter capped off a year in which five of our states were Contribution Profit positive, further demonstrating the effectiveness of our state playbook and supporting our positive view of the industry's total addressable market (TAM).

However, his optimism wasn't enough to reassure stockholders, and should its share price continue to tumble, DraftKings may reassess its expansion plans.

But let's talk about the operator's chief rival: FanDuel. Owned by Irish gaming giant Flutter Entertainment, FanDuel's parent company can bring its extensive sports betting experience in European markets to bear on the United States' fledgling industry – and this experience has thus far given FanDuel a leg up over its competitors.

Using Michigan as an example, FanDuel is dominating this Midwestern market. Its revenue for January amounted to $12.3m for an over 35% market share, closely followed by BetMGM, a joint venture co-owned by another European gaming giant, Entain, at nearly $11m and a 31% market share.

DraftKings, by comparison, came in a relatively distant third place. Its Michigan revenue for January amounted to almost $6m for a 17% market share; however, this doesn't tell the whole story.

Based on revenue, FanDuel leads DraftKings in Michigan by a significant margin, but handle tells a different tale. The former accepted $132.7m in wagers for January, while the latter accepted $132m, bringing their market shares to 26.7% and 26.6% respectively.

This stark contrast perhaps suggests that DraftKings is spending far more on bonuses and promotions to acquire customers than its competition, at least in Michigan.

This strategy is a relatively proven one. Sacrificing margin to foster customer loyalty is something that, as I mentioned, big tech businesses have employed, and it can be effective, especially in a crowded market.

However, Wynn Resorts' CEO Craig Billings doesn't believe that such an approach is viable. In the company's Q4 earnings call, he said that the US sports betting market, at least in its current competitive form, is "unsustainable" and decried other operators' "irrational behaviour," lambasting what he called the "user acquisition blitz."

Ultimately, Billings may prove to be correct and operators who are relying heavily on promotions to acquire customers could be subject to burn out.

Wynn Resorts is instead opting for a safer gamble, shifting its user acquisition focus to tried-and-tested avenues.

"As you may recall on our Q3 call, we were very explicit about our view on the unsustainable nature of the current competitive environment in sports betting and we stated our intention to manage the business with a long-term shareholder-friendly view," said Billings.

"To that end, we began shifting our user acquisition mix in early November, focusing only on proven performance marketing channels where we know we can achieve positive ROI on spend, particularly in casino."

Caesars Entertainment also said it was going to "dramatically curtail" its traditional media spend, as the company's CEO Tom Reeg said: "Right now, we're marketing to the entire world – that's going to stop, and we're going to start marketing to the most profitable customers."

GI Verdict: Customer acquisition will always come at a cost, and especially when you're trying to hawk an unfamiliar product, as sports betting is to many US citizens. Whether operators can shoulder this burden before shareholders' confidence gives out is the real issue.

As DraftKings has discovered, investors have their limits, and convincing them of this strategy's efficacy will only get harder as losses mount.

THIS WEEK IN NUMBERS

6%

Decline in UK gross gaming yield for Q3 2021/2022 financial year, according to the Gambling Commission

$130m

Online casino revenue for Pennsylvania for January 2022

PLN 4.5bn ($1.13bn)

Total value of bets placed by customers at European bookmaker STS Holding in 2021

$4.3bn

Injection Into Dazn Group from Len Blavatnik's Access Industries

AU$52.8m (US$38.1m)

Revenue for Australia's Jumbo Interactive for first half of 2022 fiscal year

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

Caesars Entertainment reported $2.6bn in revenue for the fourth quarter of 2021, up from $1.6bn for the prior-year period. The company's Las Vegas operations represented $1.04bn of the total, compared to $447m in Q4 2020.

Regional operations were, however, the biggest earner, with revenue amounting to $1.36bn. This was up from $1.02bn in Q4 2020.

Century Casinos is set to enter the Reno market after reaching a definitive agreement to acquire **Nugget Casino Resort**. In a $195m deal with Marnell Gaming, the Colorado-based casino operator will purchase 50% of Smooth Bourbon LLC, the subsidiary company responsible for the resort's real estate, and 100% of Nugget Sparks LLC, which manages the property's operations.

Churchill Downs Incorporated, meanwhile, (CDI) will acquire "substantially all" of **Peninsula Pacific Entertainment**'s (P2E) assets for nearly $2.5bn.

The Louisville-based gaming company entered into a definitive purchase agreement to bring P2E's properties in Virginia and New York, as well as the operation of its Sioux City casino, under the CDI umbrella.

Bally's Corporation announced the establishment of an official committee to oversee its environmental, social and governance (ESG) strategy. Robeson Reeves, President Interactive, will chair the committee, which will also include Bally's CEO Lee Fenton, Board Chairman Soo Kim and Wanda Y. Wilson, an independent director.

The committee, Bally's said, will be responsible for "continuing to formulate ESG strategies and goals, identify and evaluate ESG risks and impacts and oversee ESG practices."

Moreover, the first phase of an online payments partnership between **Paysafe** and **Bally's** was announced. The move sees Paysafe continue its expansion into Arizona and New Jersey.

Bally's is integrating Paysafe to streamline depositing methods for customers in an effort to improve its growing omnichannel presence. The integration of Paysafe covers both the new Bally Bet online sportsbook for Arizona and the BallyCasino.com brand for New Jersey.

Rush Street Interactive (RSI) secured a market access agreement to provide online casino and sports betting services in Ohio, Maryland and Missouri, through a partnership with Penn National Gaming. The services, which will be provided through RSI's subsidiary, BetRivers, are subject to regulation and the legalisation of sports betting in certain jurisdictions.

The Forest County Potawatomi Community reached a deal with the state of Wisconsin to bring legal sports betting facilities to its Milwaukee casino later this year. Following similar agreements with the Oneida Nation, which is the only sportsbook currently live in Wisconsin, and the St. Croix Chippewa Indians of Wisconsin, which is yet to launch its sports betting offering, state Governor Tony Evans approved the Potawatomi Hotel and Casino for in-person sports betting.

Hard Rock Hotel & Casino Atlantic City awarded its employees more than $10m in bonuses for their efforts during 2021, what it called a "record-breaking year." Citing its largest ever increase in coin-in, table games drop and gross gaming revenue (GGR) over 2019, Hard Rock sought to reward its staff for their hard work.

Over 2,400 eligible team members, both union and non-union, were slated to receive a bonus for the third year running.

Suquamish Clearwater Casino Resort signed a partnership with US Integrity (USI), with the resort seeking to implement a bet monitoring service following the launch of its sportsbook. The casino became the 16th tribal venue to offer in-person sports betting in the state of Washington, when on 22 January 2022 it launched its sportsbook in collaboration with FanDuel. USI will provide betting integrity services at the casino.

Its technology is capable of monitoring betting patterns and can detect irregular activity through live data analysis.

2023

ESL Gaming and Bayes Esports have extended their strategic partnership until 2023

7%

Year-on-year decline in Galaxy Entertainment Group Q4 2021 revenue

36%

Of respondents in new Gambling Commission quarterly survey say gambling "in this country is conducted fairly and can be trusted

PLAYTECH CEO GIVES BACKING TO TTB TAKEOVER BID

Playtech CEO Mor Weizer has signalled his intention to participate in a potential offer for his company by TT Bond Partners (TTB), essentially giving his public backing to the takeover.

He is joined by former Playtech CEO, Tom Hall, who has also approached TTB, stating his desire to be involved with the investor group set up for the sole purpose of acquiring the company.

Playtech has been the subject of heavy takeover talk in recent months, specifically by Aristocrat Leisure, an Australian gambling machine manufacturer and industry giant. Its $2.7bn takeover bid was put to the board on 17 October 2021, though failed due to lack of shareholder support.

It appears as though this bid from TTB is more likely to succeed, especially now given the backing of its current and former CEOs. Weizer must now distance himself from any board deliberations on the acquisition offer, following his decision to involve himself in the investor group.

Describing the next stage of the process, a release from Playtech said: "The Board will now form an independent committee consisting of the Playtech directors excluding Mr Weizer, to consider all matters relating to any possible offer from TTB and any other M&A proposals Playtech receives.

"The Independent Committee is and will remain especially mindful of their obligations to Playtech stakeholders and the requirements of the law."

It is expected that any incoming takeover offer from TTB will eclipse the cash bid tabled by Aristocrat Leisure last year, which valued each share at £6.80 ($9.26). Its current share price sits at £6.57.

Previously, Playtech has been the subject of much speculation about the sale of either all, or part, of its assets.

GI Verdict: The lack of shareholder support for the Aristocrat offer could quickly be forgotten if this new offer from TTB gains approval.

It will be an interesting one to follow in the coming weeks and months, not least because of the thoughts of Weizer and Hall. As with previous interest in Playtech from the likes of Gopher Investments and JKO Play, the story may yet have a few twists and turns.

THE WEEK IN QUOTES

"We are on a mission to deliver the absolute best experience possible to players in the Netherlands and to do that we need to offer a wide range of casino games from the top providers in the market. We have already seen incredible traction with Stakelogic's classic and video slots, so it was obvious that we needed to extend our partnership to cover live casino. Stakelogic Live's dealer titles really are among the best in the business, and we can't wait to see our players enjoy the experience they deliver."

Daphne Xerri, Head of Casino at Kansino, on the company's extended partnership with Stakelogic Live

"At Betcity.nl we are proud to become a member of the IBIA and combat corruption to protect the integrity of sports, together with our sportsbook partner Kambi. We are committed to protect sports and the consumers, and are excited to join forces with the leading voice in this area."

Kylian Olierook, Head of Operations at BetCity.nl, after the sports betting brand joined the International Betting Integrity Association (IBIA)

GLITNOR GROUP ACQUIRES AFFILIATE KAFE ROCKS

Glitnor Group, an iGaming operator and provider based in Malta, has acquired affiliate KaFe Rocks for an undisclosed sum.

KaFe Rocks' acquisition, Glitnor said, "spearheads" the group's move into the lead generation space, complementing its existing B2C online casino brands, as well as its B2B business.

The affiliate's 170 employees, known as "Rocketeers", will join the group, while KaFe Rocks Co-founder Feda Mecan will become Glitnor's newest director, sitting on the company's Board.

KaFe Rocks CEO Simon Pilkington, meanwhile, will join Glitnor's executive management team, and the affiliate's day-to-day management, the group said, will continue in its current format.

"Glitnor is not shy about its ambitions to become a leading iGaming group and the acquisition of KaFe Rocks and our move into the lead generation space is evidence of this," remarked David Flynn, Glitnor Group CEO.

"In KaFe Rocks we have an established business being run by an incredibly talented team that owns and operates a network of successful, reputable affiliate assets that will drive growth for the wider group."

KaFe Rocks, also based in Malta, boasts a global portfolio of assets, with its user-centric flagship brands time2play.com and USCasinos.com heavily focused on the States.

The affiliate's Co-founder and Chairman Tim Tepass added: "At the heart of KaFe Rocks' success is its people. For us as the owners of KaFe Rocks it's been imperative that we look to accelerate growth through finding the right people to work with going forwards, and in David and his fantastic team at Glitnor Group we are adamant we've found just that."

GI Verdict: As Tepass notes, the affiliate bases its success on its people, so firstly, it's hugely significant that its 170 employees will join the larger group.

Secondly, leading executives from the two companies will now have the chance to work together, forming a much more experienced and sturdy base for the group to achieve its ambitious plans.

"It's always a pleasure to partner with the world's leading online brands that have such an in-depth understanding of their player-base and consistently have such a huge impact in the market through innovation and a high-quality offering. Lottoland is an operator with enormous status and reach. I'm sure the addition of our extensive portfolio will only benefit that reputation further as they continue to grow and differentiate themselves."

Relax Gaming CCO Nadiya Attard after the group signed a content deal with Lottoland

"Apple Pay has become one of the most popular payment methods thanks to its ease of use and high levels of security and privacy. This is certainly the case for online casino players, who like the speed at which it allows them to make deposits and withdrawals securely. SkillOnNet has built its reputation of providing players with the best possible experience across all areas of the casino and this includes payments. The addition of Apple Pay is evidence of our commitment to this and further establishes us and our casino brands as true market leaders."

SkillOnNet's Michael Golembo after the company added Apple Pay to its payment gateway

BGC: UK GOVERNMENT SHOULD "LEARN LESSONS FROM ABROAD" OVER GAMBLING REVIEW

The Betting and Gaming Council (BGC) has called on the UK Government to "consider targeted measures" ahead of the forthcoming Gambling Review.

Citing industry research and a report from PricewaterhouseCoopers (PwC), the BGC said the number of Britons gambling on unlicensed sites has more than doubled in only two years.

It claimed that people playing on black market sites rose from 220,000 users to 460,000 over a two-year timespan, a 109% increase, and said "the amount staked is now in the billions of pounds."

Based on these findings, the BGC warned policymakers to tread carefully, with the industry body's Chief Executive Michael Dugher calling this a "dangerous crossroads."

He said: "We support the Gambling Review but there is a real danger that it leads to the regulated industry being smaller and the illegal black market growing substantially.

"This research is stark about the dangers of the black market, we have to learn lessons from abroad, and make the right choice at this dangerous crossroads.

"BGC members alone employ nearly 120,000 people and pay £4.5bn ($6.1bn) in tax in the UK. The black market, of course, pays no tax and employs no one in our country."

The BGC compared Britain's gaming industry to similar European markets, highlighting Norway, France and Spain, among others, as examples of countries where it believes regulation has led to a rise in people playing on unlicensed sites.

Black market gambling accounts for 66% of all money staked in Norway, 57% of all money staked in France and 20% of all money staked in Spain, said the BGC.

GI Verdict: The BGC has long been adamant that the review must be carefully constructed, to avoid severe issues like a rise in black market gambling.

Whether or not the UK Government is listening to the BGC's advice and thoughts remains to be seen; but either way, the review will most certainly change several significant aspects of the industry. Whenever it is finally released...

TAKING STOCK

SHARE PRICES COVER THURSDAY 17 FEBRUARY TO THURSDAY 24 FEBRUARY (09:30AM GMT)

Esports Entertainment 1.24 USD	↓	62%
DraftKings 19.63 USD	↓	11%
Caesars Entertainment 78.68 USD	↓	4%
Ainsworth 1.20 AUD	↑	5%
Century Casinos 11.86 USD	↑	6%

IGT AND MISSOURI LOTTERY EXTEND PARTNERSHIP TO 2025

A three-year contract extension has been signed between IGT Global Solutions, a subsidiary of International Game Technology (IGT), and its long-term working partner, the Missouri Lottery.

The contract end date is 30 June 2025 and, as part of the agreement, IGT will deploy 175 new cashless GameTouch 28 self-service vending machines; with the aim of expanding the Lottery's retail options and enhancing user experience. In addition, IGT will support the Lottery's launch of IGT's Cash Pop draw game, which offers easy-to-play mechanisms for the user.

The two companies have a long-standing history, with IGT serving as the primary technology supplier to the Missouri Lottery since 1991. It provides to the Lottery, alongside the self-serving lottery vending machines and Cash Pop, a central system, retail terminals and equipment, instant tickets and field services.

"The Missouri Lottery has trusted IGT and its innovations to help responsibly grow our sales and fund public education in the state for more than 30 years," said May Scheve Reardon, Missouri Lottery Executive Director.

"Including Cash Pop in our game portfolio is the latest example of how IGT has continually guided us through the evolving lottery industry. This exciting new game will allow our players to customise their gameplay for personalised experiences unlike any other on the market."

Jay Gendron, IGT COO, Global Lottery, said: "IGT applauds the Missouri Lottery for its continued forward-looking approach to ensure its players have access to the most entertaining lottery products and games."

GI Verdict: The long-standing relationship between IGT and Missouri Lottery offers a prime example of how gaming outlets and their technology partners have evolved post-Covid-19. The move to install 175 cashless GameTouch 28 devices highlights the growing desire for individual gaming, with less human-to-human contact, touch-free and cashless.

CHURCHILL DOWNS TO ACQUIRE PENINSULA PACIFIC ENTERTAINMENT ASSETS FOR $2.5BN

Churchill Downs Incorporated (CDI) will acquire "substantially all" of Peninsula Pacific Entertainment's (P2E) assets for nearly $2.5bn.

The Louisville-based gaming company has entered into a definitive purchase agreement to bring P2E's properties in Virginia and New York, as well as the operation of its Sioux City casino, under the CDI umbrella.

Ownership of the Colonial Downs Racetrack in New Kent County, as well as six historical racing entertainment venues across Virginia, will transfer to Churchill.

"The transaction significantly expands the geographic diversity of CDI's live and historical racing entertainment venues and reinforces CDI's role as a national leader in historical horseracing," stated Churchill Downs.

CDI will also acquire the del Lago Resort & Casino in Waterloo, New York. This is a 96,000-square-foot gaming establishment with approximately 1,700 slot machines, 80 table games and a 205-room hotel, plus a 6,000-square-foot sportsbook area, among other amenities.

Finally, Churchill will acquire the operations of Hard Rock Hotel & Casino in Sioux City, Iowa, a 45,000-square-foot facility with 39 slot machines, 20 table games and a 54-room hotel.

"The transaction significantly expands the geographic diversity of CDI's live and historical racing entertainment venues and reinforces CDI's role as a national leader in historical horseracing"

P2E is expected to reach a definitive agreement to sell the real property associated with Hard Rock Sioux City to a third party, and CDI will acquire the operating company, leasing the Sioux City property from that third party.

If P2E is unsuccessful in reaching an agreement with a third party, said Churchill, the Sioux City property will be included in CDI's acquisition, raising the total consideration to $2.75bn.

Churchill added: "The deal is dependent on usual and customary closing conditions, including the company obtaining approvals from the Virginia Racing Commission, the New York State Gaming Commission and the Iowa Racing and Gaming Commission."

The transaction is expected to close by the end of 2022.

GI Verdict: The acquisition of P2E by CDI, owner of Churchill Downs Racetrack, home of the historic Kentucky Derby, reinforces its strength as a leading figure in the gaming market.

A geographically strategic expansion; CDI's acquisition of assets worth $2.5bn offers a reflection of the post-Covid-19 boom seen in US gaming states throughout 2021.

DATA CENTRE

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PENNSYLVANIA REVENUE RISES

Pennsylvania's gaming revenue rose 27.67% year-on-year to $408.384m for January.

Legacy casinos maintained ongoing growth trends, and revenue increased 28.76% to $246.669m.

Sports betting revenue was also up, at 8.31% to $53.404m. Flutter took market share at 48%, mostly through Boyd's Valley Forge.

IGaming revenue jumped up 34.69% to $108.311m. Penn National's Hollywood led market share at 38%.

Fantasy sports revenue fell 0.55% to $2.892m. DraftKings led market share at 47.93%.

Revenue from slot routes rose 38.42% to $3.102m.

MULTIPLE PROPERTIES	JANUARY REVENUE (M)	CHANGE (%) YEAR-ON-YEAR
Cordish	$24.971	+60.66
Churchill Downs	$52.081	+41.48
Penn National	$97.627	+38.52
Rush Street	$71.958	+21.02
Greenwood	$52.081	+4.93

LEGACY CASINOS	JANUARY REVENUE (M)	CHANGE (%) YEAR-ON-YEAR
Live! Philadelphia	$13.202	+259.66
Wind Creek Bethlehem	$37.045	+43.34
Rivers	$27.087	+38.13
Lady Luck Nemacolin	$1.656	+35.42
Live! Pittsburgh	$8.053	+33.25
Valley Forge	$11.424	+31.73
Mohegan Sun	$15.621	+26.07
Presque Isle	$7.464	+19.03
The Meadows	$13.510	+14.16
Parx	$45.738	+10.01
Harrah's Philadelphia	$14.389	+4.94
Rivers Philadelphia	$13.933	+1.10
Hollywood	$14.481	- 1.46
Mount Airy	$11.952	- 2.40
Hollywood York	$6.528	N/A
Hollywood Morgantown	$4.586	N/A
Total Legacy Casinos	**$246.669**	+27.67
Same Store*	**$235.555**	+22.96

ALL-SOURCES REVENUE	JANUARY REVENUE (M)	CHANGE (%) YEAR-ON-YEAR
Live! Philadelphia (Cordish)	$16.731	+291.38
Hollywood Morgantown (PENN)	$10.075	+254.02
South Philly Turf Club (Greenwood)	$0.424	+70.87
Wind Creek Bethlehem	$38.473	+45.07
Presque Isle (CHDN)	$10.051	+42.53
Lady Luck Nemacolin (CHDN)	$1.656	+35.42
Live! Pittsburgh (Cordish)	$8.240	+34.22
Rivers (Rush St)	$29.550	+31.78
Hollywood (PENN)	$59.050	+31.09
Valley Forge (BYD)	$56.965	+28.85
Mohegan Sun	$18.166	+14.67
Rivers Philadelphia (Rush St)	$42.408	+14.51
Harrah's Philadelphia (CZR)	$14.674	+4.73
Parx (Greenwood)	$51.657	+4.60
The Meadows (PENN)	$21.868	- 3.20
Mount Airy	$18.643	- 11.60
Hollywood York (PENN)	$6.635	
Caesars Interactive	$2.909	
Mohegan Lehigh Valley	$0.210	
Total	**$408.384**	+ 27.67
Same Store*	**$391.674**	+ 23.55

SPORTS BETTING	JANUARY REVENUE (M)	OPERATOR	CHANGE (%) YEAR-ON-YEAR
Valley Forge	$24.971	FLTR	+20.52
The Meadows	$8.357	Kindred	- 22.30
Hollywood Morgantown	$5.488	BetMGM	+38.52
Hollywood	$3.365	PENN	+22.05
Rivers	$2.463	RSI	-12.50
Presque Isle	$1.145	CHDN	+91.09
Rivers Philadelphia	$1.058	RSI	- 53.21
Mount Airy	$0.847	FLTR	- 66.21
Live! Philadelphia	$0.716	Super Group	+512.46
Mohegan Sun Pocono	$0.613	FLTR	- 7.46
South Philly Turf Club	$0.424	Greenwood	+70.87
Wind Creek	$0.354	Betfred	+183.61
Harrah's	$0.285	CZR	- 5.02
Mohegan - Lehigh Valley	$0.210	DKNG	N/A
Live! Pittsburgh	$0.187	Kindred	+95.36
Hollywood York	$0.107	PENN	N/A

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Total Sports Betting	**$53.404**	**+8.31**
Same Store*	**$53.297**	**+8.10**
Handle	**$793.723**	**+29.00**

MULTIPLE OPERATORS	JANUARY REVENUE (M)
Valley Forge	$24.971
The Meadows	$8.357
Hollywood Morgantown	$5.488
Hollywood	$3.365
Rivers	$2.463

IGAMING	JANUARY REVENUE (M)	OPERATOR	CHANGE (%) YEAR-ON-YEAR
Hollywood	$41.204	BYD / FLTR	+49.34
Rivers Philadelphia	$27.416	PENN / DKNG / BetMGM	+30.61
Mount Airy	$5.845	FLTR	- 7.80
Parx	$3.191	RSI / BetMGM	- 39.91
Caesars Interactive	$2.909	Cordish Co / Super Group	+104.28
Live! Philadelphia	$2.813	Pala Interactive	+477.24
Mohegan	$1.932	Greenwood	- 30.71
Presque Isle	$1.443	CZR	+691.29
Wind Creek Bethlehem	$1.074	CHDN	+94.52
iGaming Total	**$108.311**		**+34.69**

VIKTOR RADICS, *HEAD OF DISPUTE RESOLUTION AT DLA PIPER, HUNGARY*

Radics talks to *Gambling Insider* about licensing issues in Hungarian law related to the gambling sector

It was 2013/2014 when the new licensing regime was introduced in Hungary, with firmly regulated markets. What would you say brought about the move to create this highly regulated market, and why were there enforcement attempts against .com operators?
There are obvious reasons. Up until this point (2013-2014), the Hungarian market was not really regulated, and the regulations that were in place were not enforced. But from then on, online gaming has increased significantly, so naturally, enforcement of regulations was a logical step for the Hungarian Government.

However, the actual regulations produced turned out to be of concern from an EU law perspective, and .com operators were disallowed entry into the Hungarian market. These two factors led to all the issues, and all the legal battles that ensued.

So, why the action against .com operators? Because there were no domestic operators that would be deemed ineligible for a licence, and because .com operators without a Hungarian licence were targeting online customers in Hungary. They were under the assumption that Hungarian regulations did not have to adhere to EU standards.

It's clear .com operators were not particularly happy during this period, and there were mass litigation attempts against the Hungarian Authorities. How successful were litigation attempts during this period, were some .com companies successful at reversing enforcement?

Litigation attempts were widely successful, I must say. Credit must be given to the Hungarian courts – when they were faced with EU law issues regarding gambling.

Gambling is not something in many Hungarian judges' comfort zone, and at the beginning there was some uncertainty. But after a couple of months, they realised the relevance of compliance with EU law, so they turned to the Court of Justice of the European Union (CJEU) for guidance. Eventually, all the challenges of .com operators were successful.

We get to 2018, when there is a standstill in place between .com operators and the Hungarian Authorities. What were some of the legal sticking points here? And what was the role of the CJEU judgement case?
The CJEU was the beginning of the standstill. The first cases were Unibet and SportingOdds; from those decisions the Hungarian regulators recognised that some Hungarian regulations were non-compliant with EU law. As a result, they stopped enforcement (against .com operators), as a legal consequence of non-EU compliance. So CJEU decisions were triggering the standstill in 2018.

In 2021, a new authority is established to supervise domestic gambling in Hungary. How was this new authority brought about and who were they?

In the period after 2018, the CJEU agreed the Hungarian regulations were clearly of concern from an EU law perspective. But from 2018, there was no new legislation in place. So, the Hungarian provisions that were found to be incompatible with EU law had not been replaced; they were still in effect. But the Hungarian regulator did not enforce these EU-maligned provisions, no fines or IP blockings etc. were issued.

But legally, this period was an interesting grey zone, in terms of the exact laws in Hungary at this time. There was a lack of surety in this standstill.

In 2021, when the Supervisory Authority of Regulated Affairs was set up, some notifications were sent out to .com operators in the autumn, informing of new proceedings against them. This was a sign of the potential end to the standstill, because in the underlying legal environment nothing had changed, yet still, such notifications were delivered. So back in the autumn of 2021 many of us thought enforcement was being renewed. But actually, as of today, no IP blocking or fines have been issued – nothing really came of renewed legal

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proceedings; there were only signs that legal enforcement could recommence.

You mention there's a divide in the regulatory approach of online casino and online sports betting. The intentions for online casinos are to maintain the regulatory status quo; could you expand on what the current status quo looks like? And why is there such a stark difference between online casino and online sports regulations, which the Government want to open and liberalise?

Well, let's start at the end. There were no publicly available sources of the legislators' intentions on this two-fold market. The fact that there are two separate regulations boils down to the outcome of CJEU proceedings. But the CJEU decided it is not an issue from an EU law perspective to have different regulatory regimes be applied in online casinos and in online sportsbooks.

So, the Hungarian regulators were free to choose the direction they took. The current status quo of land-based casino concession holders, and there are only a handful of them, is that they are only able to obtain an online licence. This is the eligibility criteria for online casinos. This scheme was actually challenged in the SportingOdds case and the CJEU decided against the scheme, with the view that there are other methods that could fulfill the same objective, without limiting the online licences to land-based casinos. So, this is the status quo, and this was found to be incompatible with EU law; and this hasn't changed in the current draft bills. That's why I, and many others like me, expect something else to happen in this case, to comply with theSporting Odds decision.

You mention the liberalisation of the sports betting market could resolve long-lasting issues around the Hungarian regime. What are some of the ways it could resolve these issues?

The main issue is that Hungarian customers play with services and operators who are not supervised by the Hungarian regulators, who do not have to comply with Hungarian player protection rules etc. I must admit that Hungary introduced some developed instruments and measures in the field of player protection, such as ID requirements, maximum betting limits, lists of problem gamblers, self-exclusion etc. So, there are quite developed player protection instruments in place. However, if many operators with whom Hungarian players play with are not supervised, these operators do not have to comply with the regulations. So, this is the main problem.

The secondary problem is that there are legal battles, litigations and challenges everywhere, and it just must end at some point. It surely has to.

You mention that operators that were condemned for unlicensed gambling in any EEA country in the last 10 years are not eligible for a licence; so enforcement, or the lack of it, around issues like this are further compounding the problems – leading us down a road where there has to be a resolution, surely?

Well, if we want to achieve positive objectives, Hungarian regulation has to be enforced in the Hungarian market. This way the new regulation which is, all in all, very positive, can be enforced effectively. The fact there is new regulation, or the first since 2018 at least, is very, very positive. Also, the anticipated liberalisation of the market is very promising, because as long as a monopoly is in place it can be challenged on an EU law basis.

So, to close all the legal issues and challenges ahead, Hungary must have a final bill which is absolutely clear from any new potential EU law challenges. But this is a draft bill. It still has to go through the European Commission (EC), it still has to go through the Hungarian Parliament, and also the President of the Supervisory Authority of Regulated Affairs has to issue some of these drafts. The anticipated date of this bill is 1 January 2023. So, there is a long way ahead. It's very important that the final text of the bill is free from any contravention with EU law, or any concern the EC may have.

So, the goal of the bill slated for January 2023 is ultimate compliance with EU law. You say the outcome of the bill could either consolidate the Hungarian market, or contrastingly, be an attempt to permanently close down .com operators. Is the outcome likely to go definitively one way or another, or could it fall on middle ground?

The final bill (January 2023) will be a bottom line. What the final text looks like, what comments and observations the EC make on the text are, and how the regulator will deal with potential EU law concerns make up one of the bottom lines. The second line is the actual interpretation of the bill. So, whatever text we have at the end of the process, a lot will depend on how the gambling authority will actually interpret this text, and the terms contained within. So, the first line is the actual text of the bill, and the second is the actual interpretation of it. Currently it's open-ended, as we're still waiting.

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