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THIS WEEK

- **888 hits back at German regulators**
- **AC casinos report steady growth in 2017**
- **Frissora compensated \$29.4m for pulling Caesars out of the darkness**
- **Philippine Government weighs in on Boracay Integrated Resorts row**

GUEST COLUMNIST:

- **Jens Bader, Co-Founder, MuchBetter**

WEEK 15

FRIDAY 13 APR 2018

NJ SPARES NO EXPENSE ON SPORTS BETTING

Legal bills amount to nearly \$7.2m in a bid to challenge court ruling



The US State of New Jersey, which has been the chief driving force behind the efforts to legalise sports betting throughout the US, has reportedly racked up almost \$7.2m in legal bills in doing so.

According to figures obtained via a Freedom of Information request, New Jersey-based legal firm Gibson, Dunn & Crutcher billed the state over \$5.6m to represent former New Jersey Governor Chris Christie in State legal dealings over a period of five years.

In addition a second legal firm, Gibbons P.C. has reportedly invoiced the New Jersey state legislature for over \$1.5m in legal fees over a six-year period between December 2012 and February 2018.

Gibbons P.C. has also submitted invoices totalling \$77,000 to the New Jersey Sports and Exposition Authority for legal work undertaken on behalf of the authority during a three-month period from November 2014 to January 2015.

So what has it got for its money?

Officials from both the House of Representatives and the New Jersey Senate first voted to legalise sports betting within its borders in 2014, with New Jersey Governor, Chris Christie commenting: "As I've said all along, I am a strong proponent of legalised sports wagering in New Jersey. ▶"

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THIS WEEK IN NUMBERS

44.8%

The year-on-year rise in net revenues for white label gaming software provider Nektan



The rise in revenue of online gambling in Italy, to \$74.7m

“But given earlier decisions by federal courts, it was critical that we follow a correct and appropriate path to curtail new court challenges and expensive litigation. I believe we have found that path in this bipartisan legislative effort.”

Those sentiments proved to be unfounded, with sporting associations including the NBA and NFL launching successful appeals against New Jersey’s sports betting efforts, which culminated in a Philadelphia-based third US Circuit Court of Appeals decision that the legalisation violated PASPA (Professional and Amateur Sports Protection Act 1992) in October 2015.

Officials from New Jersey appealed against the earlier circuit court verdict but were defeated in two separate re-hearings of the original case in 2016. Following the second defeat, New Jersey took its case to the highest legal authority in the country, the US Supreme Court, asking it to review the decision.

In June 2017, the Supreme Court confirmed that it would review the New Jersey appeal and fired the starting gun

on the busiest period of legal activity in the state’s fight for sports betting.

December saw representatives from the state give written testimony at the Supreme Court, with lawyers contending that PASPA “impermissibly commandeers state regulatory authority by dictating the content of state law”, and is thus illegal under the 10th amendment of the US constitution.

To date no decision has been made by the Supreme Court, despite extensive lobbying by advocates for and against sports betting, so the key question is: Is the juice worth the squeeze for New Jersey?

BUMPER COMPENSATION PACKAGE FOR CAESARS CEO

Frissora rewarded for his efforts

International casino resort developer Caesars Entertainment Corporation has announced that it will award its CEO, Mark Frissora \$29.4m in financial compensation for 2017.

In a statement, the company confirmed that Frissora’s remuneration package would comprise a \$2m salary, \$4.5m in cash bonuses, \$16.5m in retention restricted




2018

IOVATION GAMBLING INDUSTRY REPORT

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73-67

The House of Representatives's vote against developing tribal gaming properties in the US State of Maine



The percentage of bets placed on Tiger Woods to win the US Masters. Out of 87 players, Woods finished in a tie for 32nd

↑↑↑↑ 18%

Rise in 2017 revenue for Swedish online gaming software provider Aspire Global

\$1.06bn



The price agreed by MGM Growth Properties to purchase Hard Rock Rocksino in Northfield Park, Ohio

\$117M

The amount raised by Genting Berhad through bonds for a future casino licence bid in Japan

stock, long-term cash awards totalling \$6m and over \$400,000 in compensation for repriced stock options.

Attempting to meet the financial and legal requirements of its recent restructuring, Caesars has reportedly been repricing stock options awarded to senior level executives, often without the approval of company investors, thus allowing the company to offer equity-based remuneration while meeting its legal requirement for exiting bankruptcy. As a result of these changes the Businesses Compensation Committee, which approves all salary and remuneration packages, reduced the strike price on the shares (the price at which an option can be exercised) to \$9.45 a share.

In January 2015, Caesars Entertainment Operating Company filed for Chapter 11 bankruptcy protection, after being reportedly over \$24bn in debt. As a result of this process, the company voluntarily restructured its businesses over the intervening two years with the aim of reducing its debts, before exiting bankruptcy in October 2017.

In November 2017, the company concluded its first major deal since exiting bankruptcy, agreeing a deal to purchase Indiana casinos, the Hoosier Park Racing & Casino, and the Indiana Grand Casino at a combined cost of \$1.7bn.

As part of the financing for the deal, Caesars announced the conclusion of a deal to sell its Harrah's Las Vegas real estate assets to VICI properties for a fee of \$1.14bn. Under the terms of the deal, Caesars leased back the land from VICI for a 15-year period.

888 LAUNCHES COMPLAINT IN GERMANY

Operator rails against online gaming ban

Online gambling company 888 Holdings has announced that it has filed a constitutional complaint with the German Federal Constitutional court over its decision to uphold a ban of online gaming services in the German state of Baden-Württemberg.

As the third largest German state with a population of over ten million people, this market represents a potentially lucrative opportunity for the business, a market which it is keen to hold on to.

Opting to contest the decision, 888 has formally filed a complaint through one of its subsidiaries, on the grounds

that 'the ruling of the German Federal Administrative Court infringes its constitutional rights, as well as its rights under EU law (including the freedom to provide services), and hence should be reversed.'

Indeed, in its 2017 financial report company chairman Brian Mattingley said that it was "highly disappointed by this far reaching ruling and, together with the Group's legal counsel, is considering potential courses of action, which may include a petition to the German Federal Constitutional Court and is assessing the status and breadth of its offerings in the German market."

In a statement released on the 888 Holdings website, the company said it "has asserted its position that the ruling of the German Federal Administrative Court infringes its constitutional rights, as well as its rights under EU law (including the freedom to provide services), and hence should be reversed."

Should the appeal fail, 888 Holdings could be joining other operators, such as NOVOMATIC in exiting the German market.

ATLANTIC CITY CASINOS REPORT STEADY 2017

Garden state revenues up 22.5%

Atlantic City, the traditional northeastern hub of US casino gambling, had a stellar 2017, where profits for its seven remaining casino operators grew by more than 22.5%, according to figures released by the New Jersey Department of Gaming Enforcement (NJDEG).

In its latest financial report the NJDEG reported 2017 total gaming revenues of \$3.4bn, despite the closure of five casinos since 2014, the most notable being the Trump Taj Mahal in October 2016.

Leading the charge was Tropicana, which saw the largest revenue growth, rising to \$489m in 2017, a rise of 12.3%. Both Caesars and Golden Nugget reported 7.1% increases in revenue rising to \$442m and \$316m respectively, whilst Borgata, reported total revenues of \$1.1bn, up 3.5% on 2016's figures.

These positive figures were aided by a buoyant hotel occupancy rate, which rose by 5.4% to a figure of 86.9% during 2017.

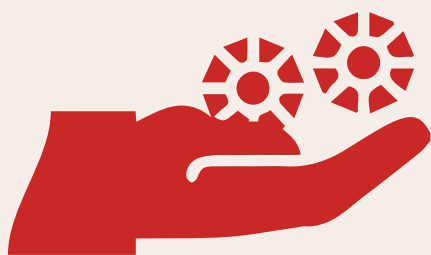
Discussing the successful annual results, Christopher Glaum, Deputy Chief of Financial Investigations for DGE, said: "In a positive sign for the Atlantic City casino



The odds on Roma to knock out Barcelona in the Champions League from Westgate Las Vegas SuperBook. Roma won the game 3-0 to go through



The number of racecourses offering pool betting in the Irish Republic via Tote Ireland, which has launched a new affiliate program



industry, three casino hotels reported record net revenue and gross operating profit under current ownership and both internet casino licensees had their best year as well. Industry-wide, strong growth in net revenue led to gross operating profit growth in excess of 20 per cent for the year. These operating results bode well for the industry expansion expected to occur in mid-2018."

PHILIPPINE GOVERNMENT INTERVENES IN BORACAY ROW

IR resort project dead in the water?

Efforts to build a \$500m casino development on the Philippine island of Boracay were shelved today, following a tide of condemnation from the Philippine government.

Galaxy Gaming had initially won the licence to build the resort, agreeing a partnership deal with fellow Asian gaming company Resorts World Corporation to develop the 23 hectare land parcel on the island into an integrated resorts casino.

The project was, however, placed on hold due to ecological damage to the

island, which Philippine president Rodrigo Duterte had labelled a "cesspool". As a result of the damage the island will be closed for six months, starting at the end of this month, for cleaning and the construction of a new sewage system.

Indeed, it was Duterte who voiced his disapproval of the intended project, claiming earlier this week that: "There are no plans for a casino. Let's stop it because it's too much. There's a casino here, casino there. Consider Boracay a land reform area. I will give it to the farmers, to the Filipinos first".

Sporadic arguments occurred between the casino developers and the Philippine Government, with the latter claiming that it had not received proof of land ownership or any detailed project plan for the revised resort.

It now seems as though the resort development has become a casualty of this dispute, with Presidential spokesman, Harry Roque, seemingly sounding the death knell for the casino, confirming at a news conference in Hong Kong that "there will be no new casino in Boracay". ◀

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REGIONAL REVENUES RISE

Stored-up demand, after months of harsh winter weather, combined with an extra weekend day vs. last year have pushed regional gaming revenues up across the board in March. This includes Indiana and Missouri, which grew by 3.65% and 2.60% respectively.

Iowa posted a record high in March at \$141.9m total gaming revenue. Leading the positive revenue growth was Wild Rose properties, whose three Iowa properties grew by a combined 23.29% during March.

Revenues in Ohio have now grown for their fifteenth straight month.

Drilling down into these positive figures in Ohio, revenues from every property grew with the exception of Pinnacle's Belterra Park, which was closed for two days due to flooding. Despite the closure, the racino's average win per day was up 4.98% versus last year.

Factoring out the negative revenues from Belterra Park, Ohio revenues would have been up 9.78% in March.

Ohio's 9.33% growth was the best since February 2016.

Below is a breakdown of Iowa and Ohio:

OHIO:

PROPERTY/MARKET	REVENUE (\$M)	CHANGE (%)
ThistleDown	\$12.028	+15.08
Hollywood Mahoning Valley	\$11.383	+12.69
JACK Cleveland	\$20.155	+11.83
Miami Valley Gaming	\$15.428	+11.49
Scioto Downs	\$16.306	+11.19
Hollywood Dayton	\$10.451	+9.83
Hard Rock Rocksino	\$23.348	+8.92
Hollywood Columbus	\$22.374	+8.51
Hollywood Toledo	\$19.723	+7.72
JACK Cincinnati	\$19.463	+5.26
Belterra Park	\$7.530	-0.10
STATE TOTAL	\$178.191	+9.33

US STOCK UPDATE

No US gaming stocks hit 52-week highs this week.

IOWA:

PROPERTY/MARKET	REVENUE (\$M)	CHANGE (%)
Wild Rose - Jefferson	\$3.012	+19.32
Hard Rock	\$7.884	+13.53
Prairie Meadows	\$19.800	+8.37
Horseshoe (CZR)	\$17.014	+6.69
Diamond Jo Dubuque (BYD)	\$6.375	+6.46
Rhythm City (Elite)	\$6.614	+4.24
Harrah's (CZR)	\$6.792	+3.48
Q casino	\$4.673	+3.45
Wild Rose - Emmetsburg	\$2.589	+2.24
Isle Waterloo (ERI)	\$8.530	+1.99
Grand Falls (Elite)	\$5.604	+1.87
Casino Queen Marquette	\$2.347	+1.77
Wild Rose - Clinton	\$3.012	+1.73
Diamond Jo Worth (BYD)	\$8.233	+1.17
Ameristar (PNK)	\$16.531	+0.57
Riverside (Elite)	\$8.001	-1.32
Lakeside (Affinity Gaming)	\$4.540	-3.00
Isle Bettendorf (ERI)	\$6.640	-3.33
Catfish Bend	\$3.749	-4.87
STATE TOTAL	\$141.942	+3.65

GUEST COLUMNIST:



JENS BADER

CO-FOUNDER
MUCHBETTER

Bader discusses the changing online gaming payments landscape and the problem of balancing innovation and tradition

While mobile has been a catalyst of innovation for the gaming industry, with iGaming owing much more than just its moniker to the iPhone, other fundamental aspects of gaming remain the same as they ever have. Payments are a great example of this mixture of innovation and tradition.

Despite the myriad ways players can pay for gaming services today and the great cryptocurrency rush of 2017/8, cash will always have a place at the gaming table. Services like wallets, cards and bank transfers have all stood the test of time in iGaming too, and there are a number of exciting new services on the rise which meet the demands of operators and players alike.

OPERATORS CONTINUE THEIR LOVE/HATE RELATIONSHIP WITH CASH

Cash is and will always be king of physical gaming. It is carried by almost everyone who enters a high street betting shop, it is invariably their preferred payment method, and it is foolish to think it will be replaced anytime soon.

When people decry the death of cash, they usually cite the same reasons, it is high risk, it is difficult to control, and it is expensive to collect. However, there's simply no escaping the online opportunity that cash also presents, and it's why online operators will never really give up on cash. As a universal means of payment, cash customers are the biggest market in the world by some distance. Accepting cash is essential for operators hoping to reach players in growth markets like Africa and the Middle East for instance, whose banking options may be more limited than in the west.

However, it's not just a technological issue. Attitudes to cash are deeply rooted in a country's culture and they can vary drastically within the same continent. In Germany for instance, cards are more commonly used to make ATM withdrawals than make direct payments. Cash is also the default means of payment in countries like Greece, where people may be less trusting of banks. There's no changing these attitudes overnight, no matter the convenience or technological innovation of a new payments service.

THE RISE OF E-MONEY BUT NEED FOR A NEW BREED OF E-WALLET REWARD

Due to their ease of use, wallets have always thrived in online gaming. However, we may be at a tipping point for the old breed of wallet, which are costing gaming operators millions each year. They often have commercial models which actively

encourage players to move their money in and out of online gaming accounts all the while charging a fee for each transaction, regardless of whether the operator actually makes a profit.

Also because they allow anonymous users to create multiple accounts, fraud and bonus abuse are rife. It's not uncommon for operators to offer cash bonuses to new players, with wallets offering a convenient way to complicit in possible abuse of such bonus offers. Indeed online gaming payment options have been limited to just a handful of services for years now but that is finally starting to change.

Operators are increasingly fed up with being squeezed by rising transfer fees, and players are understandably frustrated by payments services that don't pay out how and when they want. After all, it's their money. Emerging online gaming payments services promise to break this chain for operators and players alike. New commercial models will help reduce fees, with fraud and bonus abuse also solvable problems – the only issue until now is that no payment company really wanted to solve these issues. It's also a sensible approach to support operator's economical health, since this makes also for a better, more lasting and strategic relationship between payment service provider and operator.

On the pure cash side, new, innovative approaches and services for online operators to safely accept cash payments are really interesting too, as they make it possible for players to pay for online gaming services using physical cash. It also adds transparency and control to a process that could be extremely murky otherwise, with anonymous users who are unknown quantities by their very nature.

A FUTURE FULL OF OPTIONS

Core products like wallets, cash and cards are not going away, but the second-generation of these products has now moved into the market. This generation promises to be more balanced and aligned with operator interests, solving problems associated with payments and transactional integrity. We will start to see outdated payment products replaced and refreshed by these next-generation services, which were purpose-built for the gaming industry.

In response, operators should prioritise giving players as many feasible payment options as possible, whether that's cash, wallets, or plastic. Those that do this will be giving players what they really want, choice. They will be future proofing their brand as player payment behaviour shifts over time. Finally, and most importantly, choice is also good for the wider gaming market. There's no doubt that increased competition breeds better services, better prices and better relationships with players.

Technology has enabled new payment challengers to move into the gaming market and a big theme in 2018 with regards to gaming payments will be change.

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