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THIS WEEK

- **Steve Wynn removed from casino licence**
- **Moldova calls it quits on monopoly system**
 - **RGA issues GDPR industry guidelines**
 - **The week's biggest hirings and departures**
- **AffiliateCon Sofia Preview**

GUEST COLUMNIST:

- **Tony Ure, Head of E-Gaming, Isle of Man Department for Enterprise**

WEEK 19

FRIDAY 11 MAY 2018

BUMPER Q1 ACROSS THE GAMBLING INDUSTRY



It was a good start to the year across the worldwide gambling industry, with companies from all parts of the sector reporting high growth during the first quarter of 2018.

Affiliate network Catena Media continued its impressive run of revenue returns during Q1 2018, reporting a 57% year-on-year rise in its revenues, which rose to \$28.5m during the period. Catena's EBITDA rose by 44% to \$12.4m during Q1, with its adjusted EBITDA increasing by 63% to a Q1 2018 figure of \$14.8m.

Net cash generated from operating activities rose by a record 157.5% during the first quarter of 2018, rising to \$12.3m from a Q1 2017 figure of \$4.7m.

The business reported an impressive 66% year-on-year rise in new depositing customers during the period, with numbers rising from 80,421 during Q1 2017 to 133,322 in Q1 2018.

In the sports betting arena, international bookmaker William Hill issued its Q1 trading update reporting double digit year-on-year revenue increases in its US ►



SINGULAR

THIS WEEK IN NUMBERS

\$124M



The amount Detroit casinos reported in aggregate monthly revenue during April, which was 2.5% higher than the period a year prior

\$3.5M



The amount the US Department of Justice has charged the head of one of New York's Credit Unions regarding stolen funds to purchase lottery tickets



The number of years in a row that the Kentucky Derby has now been won by the favourite following Justify's win on Saturday

€20M

The price Patagonia Entertainment have paid to acquire AutoGameSYS gaming platform



and online divisions, which grew by 45% and 12% respectively during the first 17 weeks of the year.

Addressing the notable growth in its online business, the company said that these were due to 'very strong football and horseracing results in the early part of 2018' together with favourable results in both the Cheltenham and Grand National horseracing events.

Net revenues from the company's retail operations decreased by 4% year-on-year, primarily due to a 13% drop in bets during the period, however its gross win margin rose by 18.8%. Online and mobile gaming company Yggdrasil reported one of the biggest rises during the quarter, increasing its revenue by 73% year-on-year during Q1 2018.

Drilling down into these figures, revenue totalled \$6.54m during the quarter in comparison to the \$3.78m reported during the same period of 2017, which was primarily driven by an upscaling of the company's operations.

Yggdrasil also reported a 61% rise in mobile gross gaming winnings and a 90.2% spike in the number of player transactions during the period. These impressive results helped the company to record a 29% rise its operating profits, which rose to \$1.57m and a corresponding year-on-year increase in its EBITDA, which rose to \$2.05m. Moving further afield, Macau's biggest land-based casino operator SJM Holdings reported a 25.8% year-on-year rise in its net profits during the quarter, rising to \$92.9m.

The operator also enjoyed a 6.7% year-on-year increase in its net gaming revenues during the quarter which rose to \$1,071m from the \$1,004m reported during the same period in 2017.

Higher revenues helped strengthen the company's EBITDA by 17%, increasing to \$125.7m from the \$107.4m reported in Q1 2017. SJM's only reported fall during the period was in their VIP gross gaming revenue which fell by 1.1% from \$628.8m last year to \$621.8m in 2018.

WYNN REMOVED FROM MASSACHUSETTS CASINO LICENCE

The latest twist in the Steve Wynn sexual misconduct saga has seen regulators in the US state of Massachusetts agreeing to remove the former casino magnate's name from a licence held by his former company Wynn Resorts.

Lawyers representing Wynn Resorts and its former CEO asserted that since Steve Wynn had resigned from the company in February, subsequently liquidating his stake in the business in March, all links between the business and Wynn had ceased.

Wynn Resorts is currently building a \$2.5bn casino resort in Boston, however the project was thrown into jeopardy when state officials launched an investigation into allegations of sexual misconduct by Steve Wynn.

Under the Massachusetts Expanded Gaming Act, casino operators in the state must display 'integrity, honesty, good character and reputation'. If they fail to adhere to these standards, under the law their licences can be revoked.

Last month, Matt Maddox, Wynn Resorts' new CEO had been summoned

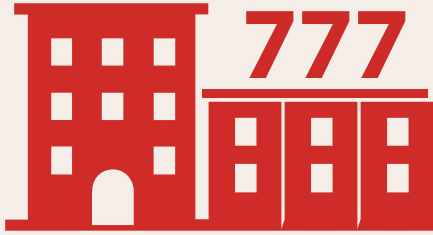
to testify in hearings held by the Massachusetts Gaming Commission, subsequently agreeing to remove Wynn's name from the hotel.

This latest agreement goes a step further, entirely removing Wynn as a 'qualifier' for the project, subject to the proviso that he does not vote at Wynn Resorts annual shareholders meeting on 16 May.

Releasing a statement following the agreement, Wynn's lawyer wrote: "The commission rejects the characterisation by Mr. Wynn's legal counsel that he is nothing more than an ordinary private citizen of the State of Nevada vis-a-vis Wynn Resorts.

"There is, however, substantial evidence that the relationship between Mr. Wynn and Wynn Resorts has been terminated in a meaningful way such that Mr. Wynn no longer falls with the definition of qualifier at the conclusion of the upcoming annual shareholders meeting."

A separate investigation by regulators into sexual misconduct allegations against Steve Wynn is currently ongoing.



The number of rooms in the new Downtown Las Vegas casino resort proposal submitted to the city by developer Derek Stevens

3,000



The number of employees being recruited by MGM Resorts to staff its \$960m MGM Springfield development.

MOLDOVA PASSES GO ON MONOPOLY PARTNERSHIPS

Moldova's Public Property Agency (APP) is set to end its long-standing monopoly on gambling and lotteries in the country. The body which controls gambling in the central European region has announced plans to implement a public-private partnership with two EU companies which will see the businesses run the APP's operations on its behalf.

In 2016, the Democratic Party of Moldova (PDM) and its leader Vlad Plahotniuc organised a crackdown against illegal gambling and casinos, which was followed by a law that would bring the provision of gambling services under a state-run entity as a way of ending underground gambling, while also reducing the number of problem gamblers in the country.

The first company to win the right to operate slot machines in Moldova is Novo Gaming M Technologies GmbH, a division of Austrian gaming company NOVOMATIC AG. The agreement

stipulates that Novo Gaming will be required to contribute 51% of slot machine revenues back to the National Lottery of Moldova.

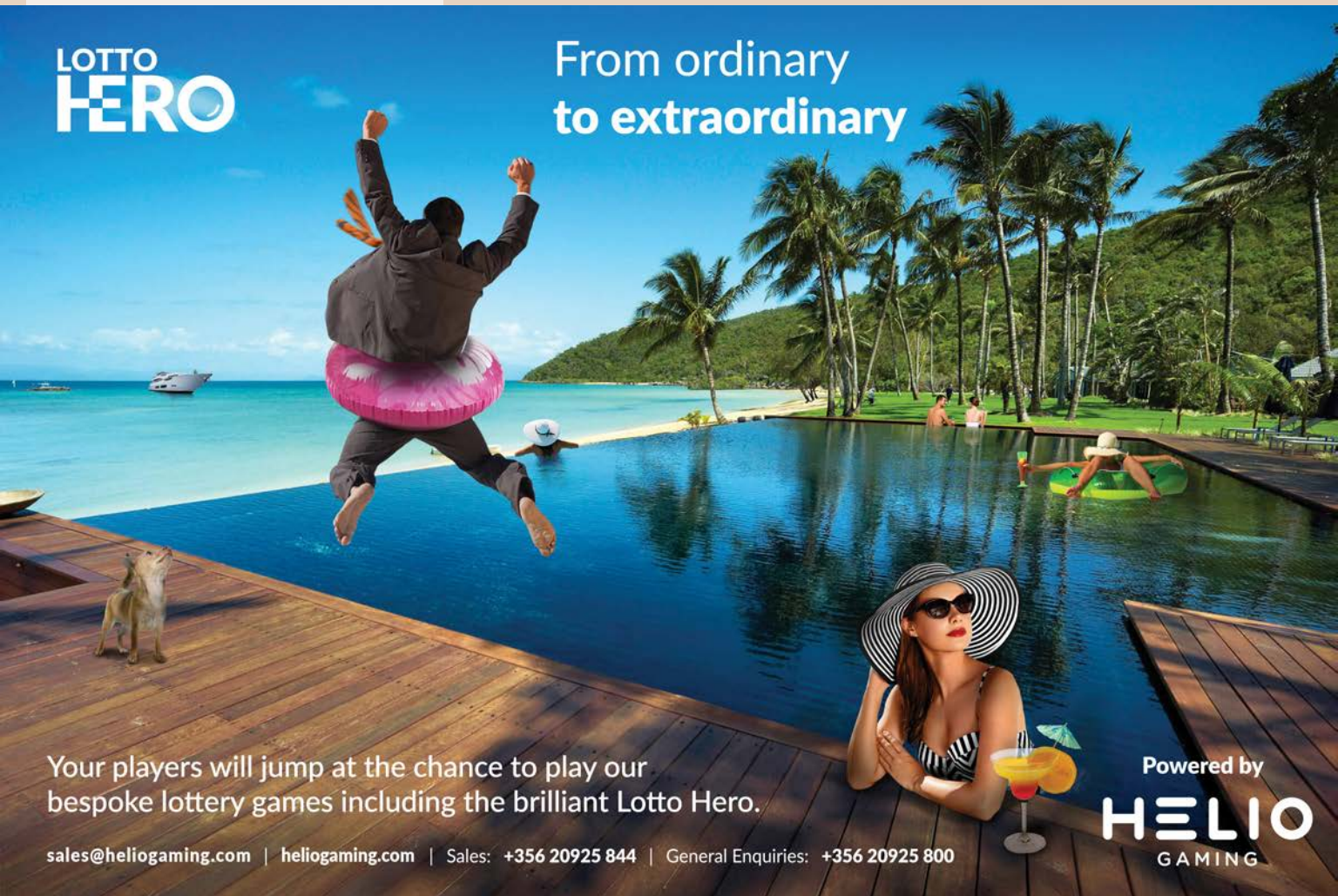
The second contract, which entitles the winning company to provide lottery and sports betting services, was won by NGM SPC Limited, a partnership between National Lottery AD, Bulgaria's largest gambling operator, Market AD, and NGM SPC Ltd.

As with the first contract, NGM SPC will be required to contribute a high proportion of their revenues back to the National Lottery of Moldova, the difference in this case being that NGM SPC must contribute 90% of their sports betting revenue generated from local betting customers back to the state.

In addition, under the terms of the contracts, the two foreign businesses are required to contribute 75% of their lottery revenues back to the National Lottery of Moldova.

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QUOTES OF THE WEEK

“The Council of State ruling is correct to question the justification of the Dutch Gaming Authority’s decision to grant a monopoly for lotto products. Today’s ruling not only underlines the fundamental importance of transparent licensing procedures but also underlines the need for the modernisation of the Dutch gambling laws and the regulation of the online gambling market which is unaffected by the Council’s ruling”

Maarten Haijer, Secretary General of the EGBA, commenting on the Dutch Gaming Authority’s decision to monopolise lottery licenses

“We view our position in Korea as highly advantageous, as when we open we will be the only true integrated entertainment resort in Northern Asia — an enviable position given our proximity to Shanghai, Beijing, Seoul and Tokyo ... some of the largest (metropolitan) areas in the world. In aggregate they carry some of the most affluent, mobile and fastest-growing populations on the planet”

Mario Kontomerkos, Mohegan Gaming & Entertainment CEO, on taking full ownership of their South Korean project

RGA ISSUES GDPR GUIDELINES AMID ‘UNCERTAINTY’

The Remote Gambling Association (RGA) has issued a number of mandatory policies in response to the impending introduction of the EU’s general data protection regulations (GDPR) later this month.

Its policies look at areas including accountability, governance, data protection officers, processing data be it sensitive or otherwise and details lawful basis for processing personal data.

The RGA has confirmed that the policies will be constantly reviewed and updated in order to keep RGA members abreast of any regulatory developments which may occur.

GDPR will come into force on the 25 May and has the aim of increasing security and bringing data protection standards under one set of regulations.

Speaking about the decision to publish the policies, Clive Hawkswood, the RGA’s Chief Executive, said: “The principles which underpin the GDPR

reflect the importance of safeguarding personal data and ensuring that it is used only where it is appropriate to do so.

“Unfortunately, there remains a good deal of uncertainty about the GDPR’s precise interpretation and application. This guidance is designed to help our sector navigate its way through the requirements as they are presently understood.”

In the wake of the introduction, the online industry has undergone a significant realignment of its current personal data structures, with individuals accessing websites being asked to provide consent to revised terms and conditions reflecting these new data protection standards.

Hawkswood added: “It has had input from a wide range of stakeholders and we are heavily indebted to the ICO for the constructive and supportive advice it has provided at different stages of the process.”

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THIS WEEK'S WINNERS AND LOSERS

WINNERS

AGEM index - reported its 31st consecutive year-over-year monthly increase finishing April, up 5.15%

Caesars Entertainment - who announced a 97% increase its net revenues for the first quarter of 2018, topping \$1.97bn

13 Holdings Ltd - has proposed a name change to rebrand itself as "South Shores Holdings Ltd"

Gordon Vayo - who launched a lawsuit against *PokerStars* over its refusal to pay winnings from the 2017 Spring Championship of Online Poker Event

Lucky Dragon - the bankrupt resort in Las Vegas received a \$60m appraisal from Snow Covered Capital, far below the \$143m valuation that developers had estimated

LOSERS

LEOVEGAS LEADS PACK OF EXECUTIVE RE-SHUFFLES

This week there have been a number of executive shuffles in the gaming industry. Firstly, Swedish-based gaming technology company, LeoVegas, has announced the appointment of Stefan Nelson as the company's new CFO following the prepared departure of Viktor Fritzén.

Fritzén is leaving the role which he began in 2012 in order to 'focus his work on strategic topics pertaining to growth and value creation' and will take up a Senior Advisor position within the gaming firm.

Nelson will take the helm on 22 August bringing with him more than 20 years of financial experience including positions within the gaming industry where he has served as an equity analyst.

Announcing the appointment, Gustaf Hagman, LeoVegas Mobile Gaming Group, CEO said: "I am extremely pleased to recruit Stefan Nelson as new CFO to LeoVegas. With his deep expertise in finance and a sense of both the business and the gaming industry, combined with having been Sweden's most renowned

gaming analyst, Stefan will be an addition to the management team and my right hand."

Furthermore, Asia-focused gaming operator, Silver Heritage Group has announced the resignation of David Green, Chairman and Non-Executive Director.

In a filing on the Australian Securities Exchange, the company stated that Green had departed due to 'personal reasons' and had a desire to 'focus upon other business interests'. Green first joined Silver Heritage in July 2015 having previously served as a Director of Abalone Victoria.

Matthew Hunter will be taking the role of interim Chairman following Green's departure and currently serves on the Silver Heritage Board as a Non-Executive Independent Director.

Silver Heritage's Q1 2018 financial results have been poor leading the company to make an adjustment of \$1.8m to its EBITDA. However, revenue is said to be growing steadily from the recently opened Tiger Palace Resort.

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OHIO AND MARYLAND REPORT RISES

A number of US states with regional casinos continued to post revenue rises in April despite the month having one less weekend date than last year.

The latest to release revenue figures are Maryland and Ohio.

MARYLAND

In Maryland, gaming revenues rose by 5.73% in April as the state has stabilised now that MGM National Harbor has been open for over a year. The state was up over 5% for the third straight month.

MGM National Harbor and Ocean Downs' positive revenues continued as both properties posted double-digit growth for the third consecutive month.

Caesars' Horseshoe casino in Baltimore was the only property to decline in April, and when factored out, Maryland would have been up 9.55%.

PROPERTY	REVENUE (\$M)	YEAR-OVER-YEAR CHANGE (%)
National Harbor (MGM)	\$57.743	+15.62
Ocean Downs (CHDN/Saratoga)	\$5.545	+14.80
Hollywood Casino (GLPI)	\$6.922	+7.27
Live! (Cordish)	\$46.802	+3.31
Rocky Gap (GDEN)	\$4.720	+2.79
Horseshoe Baltimore (CZR)	\$21.758	-11.52
State total	\$143.491	+5.73

OHIO

In Ohio, gaming revenues rose by 4.71% in April, up for the 16th straight month thanks to year-over-year growth at every property except JACK Entertainment's JACK Cleveland.

Eldorado Resorts' Scioto Downs in Columbus led growth with revenue increases of 12.34%, up double digits for the third straight month. JACK Entertainment's Thistledown also continued a hot streak, with revenue up for the fourth consecutive month.

PROPERTY	REVENUE (\$M)	YEAR-OVER-YEAR CHANGE (%)
Scioto Downs (ERI)	\$15.481	+12.34
Thistledown (JACK Entertainment)	\$10.992	+11.46
Hollywood Dayton (PENN)	\$9.202	+9.70
Hard Rock Rocksino	\$22.873	+9.67
Hollywood Mahoning Valley (PENN)	\$10.511	+8.57
Belterra Park (PNK)	\$7.263	+4.24
Hollywood Columbus (PENN)	\$19.347	+2.76
Hollywood Toledo (PENN)	\$18.205	+1.76
JACK Cincinnati (JACK Entertainment)	\$17.543	+1.44
Miami Valley Gaming (CHDN/Del North)	\$13.372	+1.20
JACK Cleveland (JACK Entertainment)	\$16.712	-4.38
State total	\$161.501	+4.71

US STOCK UPDATE

The following three stocks hit 52-week highs in the US:

Churchill Downs	\$279.00
AGS	\$23.85
Melco Resorts	\$32.75

AFFILIATECON SOFIA: YOUR TICKET TO THE AFFILIATE INDUSTRY'S NEWEST EVENT

15th-16th May, Sofia Exhibition Center, Sofia



AffiliateCon Sofia is free for affiliates to attend, and rather than being a trade show with big intimidating stands, it will provide a relaxed environment where selected high-profile brands will get the opportunity to discuss potential partnerships with a wide range of affiliates.

The event plays host to a who's who of the affiliate industry's leading names including high profile brands such as: bet365, ActiveWins, LV Bet Partners, LeoVegas Affiliates and Kindred Affiliates to name but a few.

DAY ONE

AffiliateCon Sofia will play host to a number of keynote speakers and more intimate educational 'huddles' bringing together a range of speakers from all corners of the affiliate industry.

Among the speakers bringing their knowledge and insight on day one is Tal Itzhak Ron, from the Tal Ron, Drihem & Co. Law Firm. An expert in gaming, software and platform development and the affiliate sector, Tal will host a session on legal challenges and opportunities in Europe for affiliates while also moderating day one's landmark Mega Panel.

The Mega Panel will look at the ever-evolving regulatory environment, the growing impact of M&A activity, the

pros and cons of outsourcing to Central and Eastern Europe, GDPR, and debate what's hot and what's not in the industry.

Day one's other keynote speakers are Bastian Grimm, CEO & Director of Organic Search at Peak Ace who will deliver an address on SEO, and Google Industry Manager Chris Snell, who will speak on the future of the mobile web.

Prior to running his own company, Bastian set up and trained in-house SEO teams for brands like Fox Mobile Group, overseeing their SEO activities in over 25 countries and catering for over 100 websites.

In his current role as Industry Manager for search giant Google, Chris works with high-profile gambling industry names such as PaddyPower Betfair while also mentoring smaller gambling firms.

Both sessions will be followed by a more intimate Q&A huddle session, allowing affiliates to talk about individual issues relevant to both debates.

Once the day's talks are done, affiliates will be offered the opportunity to let their hair down with drinks and be serenaded by the dulcet tones of jazz saxophonist Dani Sax before the event closes its doors at 6pm.

However the fun does not stop there, AffiliateCon Sofia's Mixology party takes

place on the evening of day one at the Carrusel nightclub in the heart of Sofia's arts and cultural centre. Opening at 9pm, the party will play host to Bulgarian Eurovision entry and singing sensation Zhana Bergendorff who will deliver an exclusive performance at the event.

Complimentary drinks and canapés will be served throughout the networking event, with attendees encouraged to party the night away with a special DJ set from DJ Adz.

DAY TWO

In what promises to be one of the must-attend keynotes of the two-day event, Marc Kenigsberg, Founder of BitcoinChaser.com and one of the leading advocates of cryptocurrency within the affiliate industry, will deliver a keynote address on cryptocurrency and the content opportunities available to affiliates.

A veteran of the gambling industry, Kenigsberg has over 15 years' experience in various roles, including being responsible for marketing at some of the largest Playtech and Microgaming licenses.

Day two's other keynote address will be from Ultraplay's Head of eSports and Trading, Peter Ivanov, who will provide attending affiliates with his insights on how to best monetise their affiliate traffic through the medium of eSports betting.

Heading up Ultraplay's sports betting and eSports team of traders, Peter has considerable expertise in setting up and developing the trading department, including pre-match and live trading, odds compilation, and odds movement training as well as managing UltraPlay's daily trading process.

He is uniquely qualified to cover all areas of the eSports betting paradigm and is sure to provide extensive and potentially lucrative advice to affiliates.

As with the keynote speakers on day one, both Marc and Peter will also take part in a Q&A huddle after the talks.

Day two ends with networking and hula dancing, with the latter being supplied by ballerina Emi Velkova and the New X Dance troupe, who will give an exclusive performance of interpretive dance and will draw the stellar event to a close.

GUEST COLUMNIST



TONY URE

HEAD OF E-GAMING, ISLE OF MAN
DEPARTMENT FOR ENTERPRISE

Ure analyses those themes which are spearheading the evolution of the online gaming industry, delivering its future growth and expansion

There is never a dull moment in the ever-changing world of online gaming, with exciting trends and developments happening all the time. There is always a new set of challenges and opportunities created by the shifting regulatory and technological environment. In this article, we have chosen to discuss several key themes including; the continued rise of eSports, GDPR and increased focus on player protection, and the growth of the Asian market.

CONTINUED GROWTH OF ESPORTS

The rise of eSports has been impossible to ignore, in fact, it is the focus of panel discussions and informal conversations. According to the Newzoo 2018 Global eSports Market Report, the eSports industry is set to continue its phenomenal pace of growth, attracting more viewers than ever before. The global audience will reach 380 million this year, made up of 165 million enthusiasts and 215 million occasional viewers.

This explosive growth has been driven by a combination of various factors. The most considerable driver behind the sector's growth is the increase in the number of brand sponsorship deals, and this investment has had transformative impact on the industry. For example, in perhaps the largest and most unique deal of its kind last year, Mercedes-Benz announced in August that their worldwide sponsorship of the ESL, the world's largest and oldest eSports company, which began with the ESL One Hamburg tournament in October 2017. Furthermore, Coca Cola sponsors the League of Legends World Championship, one the largest eSports competitions in the world.

According to Newzoo, brands will invest \$694m in the eSports industry in 2018, representing 77% of the total market revenue. Furthermore, it predicts global industry revenues of \$1.4bn by 2020, but I personally think this is overcautious and expect revenues to hit \$3bn by 2020. As the eSports market grows, more sponsors and investors will flow into the industry, which will create a booming opportunity for all the players involved.

GDPR AND THE INCREASED FOCUS ON PLAYER PROTECTION

Following years of debate and scrutiny, the General Data Protection Regulation (GDPR) is close to being implemented on 25 May 2018, which is only a few weeks away. GDPR is set to significantly impact the way the industry operates due to the large amounts of player data collected. Operators need to have completed a significant amount of work ahead of the regulation's implementation, but those who already have good control of player data and robust processes in place will be able to build in the GDPR practices effectively.

Most importantly, online gaming businesses need to ensure that they have a system for reporting personal data breaches. Because of this, we expect GDPR to increase the focus on player protection, as businesses respond by adapting their internal privacy compliance and considering these new regulatory requirements.

There is no doubt that high quality operators will continue to look at jurisdiction bases that have a strong reputation in player protection. On the Isle of Man, we make sure that all licensees have a robust system in place which fully protects all player funds, in addition to their personal information.

CONTINUED GROWTH OF THE ASIAN MARKET

The Asian market has been growing at an unprecedented pace over the last few years and this trend shows no signs of waning. The Asia Pacific region's share of global market revenue continues to grow representing an interesting geographic shift in revenue origination. This trend reflects the fact that demand in Asian countries currently far outstrips supply—and that, for the next few years at least, operators that offer further high-quality products in the region stand to benefit from this trend.

As Asia-facing operators further expand and develop their operations, they will look towards jurisdictions which provide a robust but fair licensing regime and high-speed, high-quality technology and infrastructure systems.

CONCLUSION

It is no secret that the online gaming industry continues to undergo a period of seismic change. It will be an all-encompassing transformation as eSports changes the way games are played and viewed, GDPR impacts the way operators store data and the growth of new geographic markets shifts the make-up of the industry. We are certain that the second half of this year will highlight why the industry remains such an exciting frontier for jurisdictions, operators and players.

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