



WEEK 05

FRIDAY 31 JAN 2020

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THIS WEEK

- **PokerStars Co-founder taken into US custody**
- **Bet365 owners Britain's highest taxpayers**
- **AGA predicts \$6.8bn in Super Bowl wagers**
- **Ball Street CEO speaks to *GI* about millennials**

GUEST INTERVIEWS:

- **John Connelly, Interblock**
 - **Eva Karagianni-Goel, Colossus Bets**
- GUEST COLUMNIST:**
- **Greenberg Traurig LLP**

ARE YOUNGER CEOS MAKING THEIR MARK ON THE GAMING SECTOR?



In August 1995, a well-known Scottish football pundit famously said “you can’t win anything with kids.” He was discussing Manchester United’s youthful English Premier League team after a 3-1 opening-day defeat to Aston Villa. That team went on to win the Premier League that season, before winning it another 10 times under the same manager.

The lesson for Alan Hansen was simple. It turns out, youth can succeed – just as it turns out you can be remembered for one unfortunate quote for the rest of your career in television.



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THIS WEEK IN NUMBERS

Nektan recorded a year-on-year revenue increase of 14% to £22.6m (\$29.6m) after publishing its financial results for 2019, although losses rose 31% to £9.2m

14%



\$1m

Jade Roper Tolbert was removed by DraftKings as a winner of daily fantasy sports contest 'Millionaire Maker,' following an investigation into claims she manipulated the contest to win \$1m



Penn National Gaming has acquired a 36% stake in digital sports media company Barstool Sports, in a deal worth \$163m



\$163m



Swedish operator Svenska Spel has announced it donated more than SEK4.3m (\$446,000) to youth sports associations in Sweden during 2019

SEK4.3m

While those Manchester United players weren't actually "kids" (many of them were in their late teens and early 20s), they were considered incredibly young for the professional and demanding arena they performed in every week.

But it's not just in football where this concept applies. In tennis, Cori "Coco" Gauff is taking the women's game by storm at the meagre age of 15. In the music and YouTube industries, youth equates to success on a regular basis. So what about the boardroom?

In business, age is just a number and countless young entrepreneurs have transformed their respective fields over the years. However, CEOs are supposed to be older, wiser and more experienced than most of the employees they'll deal with. Why would an international operator hire a 28-year-old when a 56-year-old possesses twice as much life experience?

Two notable pieces of recent industry news suggest that traditional line of thinking may no longer be as clearcut. With the ever-growing influence of the digital age within gaming (and all sectors), younger executives are becoming more common. They are not just fashionable either, they are genuinely making their mark.

Our first example is Dominik Beier, whose appointment as Interwetten's Speaker of the Board (an equivalent title to CEO) in early 2019 caused an industry stir. Here was a 27-year-old leading a company soon to celebrate its 30th birthday. But, in Beier's first year in the job, Interwetten has achieved gross gaming revenue (GGR) growth of 25% year-on-year for 2019, generating €99.5m (\$109.9m) in total GGR.

Speaking to *Gambling Insider* shortly after joining Interwetten, he gave early clues as to how he would boost this "car driving 60-70kph on cruise control."

He said: "I always wanted responsibility, to change things, instead of complaining about why CEOs or companies don't do this or that.

"I think it's a management issue that, over the past two or three years, the goals and vision have been missing.

"That's the reason one of the first things I did was define new goals. Now, I feel like people are hungry and motivated again because they want to achieve those goals. Interwetten was like a car driving 60 to 70kph on cruise control; but they were never going faster or slower. The first thing I said was 'guys, we have to get rid of that cruise control.'"

Our second notable case is that of Juliet Adelstein, who has mastered a quick and successful rise to the position of Ganapati CEO, less than two years after joining the supplier. Adelstein was rewarded for her efforts and achievements at the company thus far with the announcement she will become CEO on 1 February.

There's little wonder, considering Adelstein played a crucial part in securing partnerships with both Manny Pacquiao and, most recently, Usain Bolt.

"Me being appointed as CEO is a reflection very much of the board's and the company's goal of globalising and shifting things to have more power in our European offices, rather than being so reliant on Japan," Adelstein told *Gambling Insider* after her appointment. "The new company motto as of this year is: 'The rehearsal's over – it's show time.'"

Of course, in both the cases of Beier and Adelstein, there may be a number of favourable external factors at play.

But the salient facts are two young executives are proving a more youthful approach to boardroom recruitment can pay off in an agile technological sector such as gaming. Importantly, they are just two examples in an industry where, while the more experienced CEOs will always have plenty to offer, there is now less and less of a fear factor about hiring someone without decades of experience.



Switzerland Gambling regulator ESBK added a further 35 websites to its blacklist of unlicensed operators, with the list now containing 145 sites

The number of tourists from mainland China travelling to Macau fell 75% year-on-year, in a blow to its casinos; Wynn Macau shares in Hong Kong dropped 13% and Sands China fell 8%

75%



11



IGT has expanded its presence in the US to 11 states after agreeing a multi-state partnership with Delaware North Companies Gaming & Entertainment

POKERSTARS CO-FOUNDER TAKEN INTO CUSTODY OVER UIGEA BREACH

PokerStars Co-founder Isai Scheinberg has been taken into custody in New York City after voluntarily travelling to the US to face charges.

Scheinberg had been indicted on gambling, bank fraud and money laundering charges in 2011, and had spent time in Canada and the Isle of Man, arriving in the US from Switzerland.

The US Government and Scheinberg have been negotiating a deal and have made significant progress in those negotiations: "We have an agreement in principle on the basic terms," federal prosecutor Olga Zverovich said.

PokerStars was founded in 2001 by Isai and his son Mark Scheinberg.

In 2019, the US Government had made an extradition request to Switzerland, where Isai Scheinberg had been on a trip, and he has now surrendered his passport, being released with a bail figure of \$1m.

The main issues date back to 2006, when the Unlawful Internet Gaming Enforcement

Act was implemented, placing a federal ban on online gambling.

PokerStars was one of the few operators to remain in the market after the law came into effect, which led to 'Black Friday' in 2011.

On 15 April 2011, the US Department of Justice unsealed indictments against executives of PokerStars, Full Tilt Poker and Absolute Poker, including Isai but not Mark Scheinberg.

The real issue for Isai Scheinberg appears to be the charges that he violated UIGEA and the Illegal Gambling Business Act, as well as conspiracy to commit bank fraud and money laundering.

None of those indicted as a result of Black Friday were charged with violating the Federal Wire Act of 1961.

As part of a civil settlement with federal prosecutors that emerged following Black Friday, Isai stepped away from any management role within his company and, in 2014, PokerStars was sold to Amaya Gaming by Mark Scheinberg for \$4.9bn.

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Operators will pay an initial \$25,000 if the bill to legalise sports wagering and video lottery terminals in Missouri goes through, which cleared the state's House Special Committee

THE WEEK IN QUOTES

"I would like to thank John Alexander for his services to Crown since its establishment. We are fortunate to have John's continuing support as a member of our board as we transition to a new governance structure."

Helen Coonan on being appointed Non-Executive Chair at Crown Resorts, after John Alexander stepped down as Executive Chairman

COATES FAMILY PAYMENTS TOP £276M AS BET365 OWNERS BECOME BRITAIN'S HIGHEST TAXPAYERS

The tax paid by Bet365's owners, Denise, John and Peter Coates, rose 177% year-on-year, from £156m (\$204m) to £276m, according to The Sunday Times.

The family placed highest on the list of taxpayers assembled by the newspaper and their wealth was reportedly £6.86bn, a rise of 119% from £5.75bn.

This has moved the Coates family up from Britain's second-highest taxpayers to the number one rank.

They were far ahead of the family immediately behind them in the list, with Stephen Rubin and family reportedly paying £144m in tax, down from £181.6m the previous year, earned from the sportswear industry.

Leonie Schroder and family were in third, having paid £117m in tax, with a wealth of £4bn, accrued through the family's asset management company.

Sir James Dyson's family topped the figure for total wealth in 2019, with a staggering £12.6bn, but paid the fourth-highest tax, with £103m paid out.

This is £24m less than the £127.8m the family, known for the Dyson brand and vacuum cleaners, paid out last year.

Further down the list Hugh Grosvenor, the Duke of Westminster, appeared in seventh, having paid £69m and his 2019 wealth listed as just over £10bn.

Bet365 generated revenue of £2.98bn for the 12 months ending 31 March 2019, a rise of 10%.

Operating profit was £767.1m, an increase of 12%, while the number of Bet365's active customers rose 23% for the period.

The amount wagered on sports was £64.5m, up 23%, with in-play wagering representing 79% of total sports revenue.

"This is a landmark deal for the NetEnt Group in our quest to build brand awareness and new revenue streams from new product verticals. Blueprint are the market leader in the UK and we are delighted to expand our reach with them."

**NetEnt Chief Strategy Officer
Andy Whitworth on the supplier's
agreement with Blueprint Gaming**

"New Jersey is booming right now and DraftKings has a strong foothold in the market. Throw our content and platform into the mix and you've got a powerful combination of two market leaders that will bring players the best online gaming experiences available today."

**SVP Casino for SG Digital,
Dylan Slaney, on Scientific
Games' agreement to provide
DraftKings with its online
gaming platform and content
in New Jersey**

AGA CEO BILL MILLER PREDICTS \$6.8BN IN SUPER BOWL WAGERS

American Gaming Association (AGA) President and CEO Bill Miller expects \$6.8bn to be wagered on the Super Bowl this year, accounting for both legal and illegal bets.

The AGA produced a survey conducted by Morning Consult projecting, showing that approximately four million people will wager on the game at brick-and-mortar sportsbooks, a 25% increase from last year.

Another five million will place a wager through an online or mobile platform, which marks a jump of 19%.

Miller said: "The size of the audience and the amount wagered is clearly growing with the legal market. The NFL accounted for 78 of the top 100 telecasts and nine of the top 10 last year. When Americans have skin in the game, it's clear they are more likely to tune in."

According to the AGA, last year's Super Bowl produced \$6bn in wagers.

The survey states 52% of bettors will pick the Kansas City Chiefs to win, while 48% will wager on the San Francisco 49ers.

Despite neither team hailing from a state that allows legal sports betting, Miller

explained the unlikely matchup may contribute to a higher number of bets.

He said: "Sometimes I think there is some betting fatigue around some of the teams that may be in the Super Bowl all the time. There are people who run sportsbooks who have articulated the same. I think the storyline and narrative of these two teams probably makes this a more appealing dynamic for bettors than some of the more predictable and traditional participants."

Miller attributed the increase in Super Bowl wagers to the rise in states with legalised sports betting.

Though some states with new sports betting markets are faring better than others, Miller downplayed those concerns.

"What we're seeing is an entirely new market created state by state, so there are going to be states that are better prepared to operationalise this.

"I wouldn't apply it on the specific states of who is doing it better and who is doing it worse, mostly because this is the creation of an entire new business opportunity."

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BALL STREET NETWORK CEO: MILLENNIAL MARKETING SHOULD CATER FOR DIVERSE CONSUMPTION

Matt Wilson, CEO of Ball Street Network, believes marketing executives need a change of approach when attempting to cater for a millennial audience.

Speaking with *Gambling Insider*, Wilson explained how consumption has changed over the past decade with advancements in technology.

He said: "The advancement of mobile disrupted consumption, so that people are no longer arranged around geographical limitations, they are organised around interests.

"CMOs are still looking at these new social spaces and thinking 'okay, I buy some space and tell people about my product' - but that's not how millennials operate.

"They pursue their interests and spend voluntary time around that subject matter and the curators of those interests.

"There is no one way to reach these people now. Consumption is diverse."

Giving the example of a football podcast, or YouTube channel based around a certain team, Wilson explained how operators can build loyalty with potential players by investing in these communities.

He said: "People want marketing that is in line with that community and add value to that community, rather than things that interrupt and try to take value out of it.

"If a brand is just throwing its ad in there, interrupting people's enjoyment of the content by trying to make someone do something they don't want to do, then the brand is rejected.

"However, if that brand is facilitating that community to do more, to add to that existing value exchange, then a brand can unlock lots of good will."

The full feature will appear in the March/April edition of *Gambling Insider* magazine.

LOUISIANA FALLS

Louisiana gaming revenue fell 3.57% year-on-year for December; a month where all gaming markets were down.

Some bright spots included DiamondJacks and Churchill Downs' Fair Grounds, both of which grew more than 8%.

Slot routes also grew but fell short of year-to-date growth of 4.96%.

LAKE CHARLES/VINTON

MARKET/PROPERTY	REVENUE (M)	% CHANGE
L'Auberge (Penn)	\$28.956	+4.55
Delta Downs (BYD)	\$14.981	-6.73
Golden Nugget	\$25.848	-10.89
Isle of Capri (ERI)	\$7.416	-15.19
LC/Vinton Total	\$77.202	-5.28

SHREVEPORT/BOSSIER CITY

MARKET/PROPERTY	REVENUE (M)	% CHANGE
DiamondJacks (Legends)	\$3.217	+10.59
Margaritaville (Penn)	\$13.469	+0.24
Horseshoe (CZR)	\$16.807	-4.97
Louisiana Downs (CZR)	\$3.560	-5.33
Sam's Town (BYD)	\$6.440	-6.37
Eldorado (ERI)	\$8.596	-13.45
Boomtown (Penn)	\$4.074	-15.02
SP/BC Total	\$56.164	-5.44

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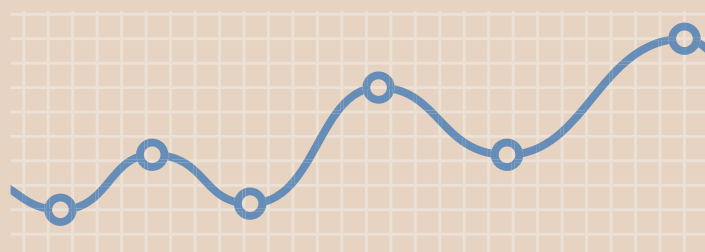
MARKET/PROPERTY	REVENUE (M)	% CHANGE
Fair Grounds (CHDN)	\$3.925	+8.40
Treasure Chest (BYD)	\$8.558	-1.43
Harrah's (CZR)	\$26.418	-3.54
Boomtown (Penn)	\$9.653	-5.13
NOLA Total	\$48.555	-2.63

NOLA TOTAL

MARKET/PROPERTY	REVENUE (M)	% CHANGE
L'Auberge (Penn)	\$12.235	-0.45
Evangeline Downs (BYD)	\$6.616	-7.54
Hollywood (GLPI)	\$4.138	-9.86
Belle (ERI)	\$2.058	-18.32
BR/C.LA Total	\$25.047	-5.68

ELSEWHERE

MARKET/PROPERTY	REVENUE (M)	% CHANGE
Amelia Belle (BYD)	\$3.410	-13.35
Routes, Truck Stops, OTBs	\$53.220	+2.16
State total	\$263.598	-3.57
MULTIPLE PROPERTY COMPANIES:		
Penn National	\$68.389	-0.01
Caesars	\$46.786	-4.20
Boyd	\$40.006	-6.34
Eldorado	\$18.070	-14.75



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GUEST INTERVIEW

EVA KARAGIANNI-GOEL
CCO, COLOSSUS BETS

Karagianni-Goel discusses the operator's new Conscious Colossus programme and explains why the industry should take a broader approach to responsibility

Can you tell us more about your corporate responsibility programme, Conscious Colossus?

We launched the scheme last August. It was a labour of love as it was a little while in the making; there was a lot that went into it behind the scenes. But we arrived at a point where we had a vision and structure we could go public with. The first step from my perspective was defining four areas of responsibility. This was about defining how we want to focus the scheme and what sort of charities we want to be nominating and donating to eventually.

The thinking around that was, ultimately, we wanted Conscious Colossus to have relevance to what we do as a business. So these would be areas where we can have the most impact. The four areas are: sports and racing, quite obviously given what we offer product wise; responsible gambling; education to combat gambling addiction, which again is no surprise given all the talk in the mainstream media and industry around this topic; the fourth we added to the mix, which was probably the least expected, was community. We wanted to ensure the longevity of the scheme by allowing enough flexibility to offer to our immediate community, whether that's something happening in our Colossus Headquarters neighbourhood, or something broader.

That was the definition of the scheme and we started shortlisting charities and finding the right partners. It was a stage of defining who is advanced and mature enough to benefit from this scheme with Colossus, but is also not that big so we wouldn't make enough of an impact. We announced three charities and they are YGam, the Greyhound Trust and Alive and Kicking. It's fair to say we are very happy with how these partners have progressed and the opportunity it has given us to understand more of what they do.

How will you promote Conscious Colossus at ICE London?

It's quite traditional now that everybody tries to create a little bit of brouhaha around their stand with a gimmick or something along those lines. In previous years, we were on that wagon as well. But now we have Conscious Colossus, it makes much more sense to use that exposure and put it to good use. Instead of doing anything else at our stand, what we will be doing is announcing a fundraiser. Everyone who comes to our stand will be able to meet with us and have the chance to participate in the fundraiser.

The other thing we will be doing is running a little competition or giveaway to those participating. There will be a signed Fallon Sherrock shirt – the first female darts player to win at the PDC World Championships – given out as first prize and some giveaways from our Conscious Colossus partners. Fallon right now is the lady of the moment and we will also be launching our darts pools in parallel with the announcement. We're really excited to see this taking place at the stand; it will be very different to anything we've seen at ICE stands in the past.

Do you think the pace of industry action and collaboration – with regards to responsibility – is fast enough at the moment, or should companies be doing more?

It's hard to generalise. I think there is a lot going on that wasn't happening before and that's great to see. But in terms of it being a coordinated effort, I would say not quite. There is still a lot more opportunity for industry participants to come together and get on the same page, as to how to approach responsible gambling.

From my perspective though, I think unfortunately as an industry we have been a little pigeonholed in talking about responsibility in very narrow terms. That's part of the reason we wanted to launch a scheme like Conscious Colossus. We didn't want it to be just about responsible gambling. We want to educate people and stop people getting hurt from gambling but we also want to be good corporate citizens. We have to be seen as being present, regardless of what the need is.

So perhaps the one thing I would say is let's broaden our perspective as an industry. Instead of being on the defence, we need to rethink a little bit about what it means to be a responsible company, period, not just a responsible gambling company. There is plenty of opportunity for coordination out there. But, at the same time, I see even more opportunity to broaden the cause and broaden the reach.

GUEST INTERVIEW



JOHN CONNELLY,
GLOBAL CEO, INTERBLOCK

Connelly talks about product segmentation and discusses the supplier's plans for ICE London

Few have attended ICE London as often as casino provider Interblock. *Gambling Insider* caught up with the company's Global CEO John Connelly to discuss Interblock's plans for this year's ICE, as well as the rest of the casino and electronic table games (ETG) market. Connelly also spoke about the supplier's Diamond Stadium product line and what it hopes to gain from the deal it recently signed with Playboy.

How are your preparations for ICE coming along?

We've been attending ICE London for over 20 years, so it's part of our culture. We've got a great team that knows the ins and outs of what goes on at the show. This year, we're also launching some brands. For instance, we recently signed an exclusive deal with Playboy.

We'll be having some Playboy events at our customer party. We're looking at bringing a new demographic to ETGs. Meeting hundreds of customers in 72 hours is never easy but our team is preparing well.

What does Interblock have planned for the show?

ICE is always an extension off of G2E Las Vegas. We tend to take all the new products we launched at the end of the year. Those that are more tailored to the European market will be showcased in London.

The strategy this year is really to expand and push these product portfolio designs for smaller retail vendors, with a smaller footprint.

That forms a significant percentage of the European market. We've come up with a product line that's a combination of mechanical roulette and our Universal Cabinets.

Our ETG products have now been designed for those types of venues, with the intention of allowing venues who could not historically afford Interblock products to have an economical solution to obtaining Interblock products.

Is the Global Gaming Award-winning Diamond Stadium currently one of the main focuses for the business?

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The Stadium and our Arena offerings continue to be a catalyst for our company. Globally speaking, we continue to install on average one Stadium every 10 days around the world. It's a product that has grown to become global in nature. Now we're targeting the Playboy brand, we're also going to be branding our Stadiums, making things more social and entertaining.

Especially in Europe, when you think of the challenges properties have in terms of the amount of square footage they are allowed, and even the net win they generate, these are often-times forgotten. We tend to focus on the A-level casinos, the more-successful and visible casinos around the world – in Macau and Las Vegas, for example.

However, the vast majority of casinos are much smaller, with lower net win per device. They have a small footprint and can't compete against some other forms of gaming, such as online or the entertainment industry itself. They need to remain competitive, though that's not been a focus for a lot of gaming companies in the past.

So what you're emphasising here is a focus on the core of the industry, rather than the sector's standout gaming hubs?

Exactly. It's important to have a product segmentation

that addresses all casinos. An analogy I've used in the past is Mercedes: they have an S-Class, an E-Class and a C-Class. Every car manufacturer has a product segmentation approach.

At ICE London, we'll be launching a product segment that has not necessarily been a focal point for the company historically. This will allow hundreds of casinos to afford Interblock products that wouldn't have been able to in the past.

"The vast majority of casinos are much smaller, with lower net win per device. They have a small footprint and need to remain competitive, though that's not been a focus for a lot of gaming companies in the past."

MARK CLAYTON, MARK HICHAR AND ERICA L. OKERBERG

GREENBERG TRAURIG LLP

The Greenberg Traurig team provides a status update and analysis of the New Hampshire Wire Act litigation

The U.S. Department of Justice's (DoJ) memorandum reinterpreting the Wire Act (2018 Opinion) was "set aside" in a lawsuit brought by the New Hampshire Lottery Commission et al. (NH Case) in the US District Court for the District of New Hampshire (NH Court"). The DOJ has appealed the NH Court's decision (NH Decision) to the First Circuit Court of Appeals.

THE WIRE ACT

The Wire Act prohibits a person in the business of betting or wagering from knowingly using a wire communication facility (e.g., phone, internet) to transmit across state lines: wagers, "information assisting in the placing of bets or wagers," or communications entitling the recipient to money from wagers. There are exceptions for (i) transmitting information for news reporting on sporting events and (ii) transmitting "information assisting in the placing of bets or wagers" on sporting events among states where the wagering activity is legal.

THE 2018 OPINION

After analysing the text of the Wire Act, the DoJ concluded it applies to wagering on all types of gambling, not only sports wagering. The 2018 Opinion thus "reversed" the prior 2011 DoJ opinion, which had limited the Wire Act's prohibitions to sports wagering. The 2018 Opinion also stated the Wire Act is not modified by the UIGEA's intrastate exception to "unlawful internet gambling" or the exception for intermediate routing.

As a result, wagering transmissions that cross state lines for a mere moment may be deemed to travel in "interstate commerce" for purposes of the Wire Act; even if they begin and end in the same state where the wagering activity is lawful.

THE NH CASE

The NH Decision addressed three main questions: (1) whether plaintiffs have standing, (2) whether the 2018 Opinion is appropriate for judicial review under the Administrative Procedure Act (APA) and (3) whether the 2018 Opinion correctly interpreted the Wire Act.

Ultimately, the NH Court resolved the standing and APA claims and then concluded that: (i) the Wire Act applies only to sports wagering and (ii) the 2018 Opinion is "set aside" or void under the APA. But the NH Court stated the declaratory relief does not apply to non-parties. Thus, the NH Decision does not preclude the US Government from enforcing the Wire Act pursuant to the 2018 Opinion against anyone who is not a party to the case.

As to the appeal, the DoJ filed its opening appellate brief on December 20, 2019. In it, the DoJ argued the NH Court erred in that (1) it adjudicated the claim even though the plaintiffs failed to present a ripe Article III controversy, (2) it held that all four offenses in section 1084 of the Wire Act apply only to sports betting, and (3) it purported to "set aside" the 2018 Opinion. The appellees' briefs are due February 26, 2020 and oral argument is expected in the Spring or early Summer of 2020.

As the NH case proceeds, application of the Wire Act as described in the 2018 Opinion is subject to the DoJ's enforcement directive.

The enforcement directive delays applying the Wire Act pursuant to the 2018 Opinion until 60 days after the final resolution of the NH Case.

However, the enforcement directive does not exempt from prosecution any activity that occurs while the NH Case is pending.

Accordingly, those involved in the gaming and sports betting industry ought to consider their activities carefully with legal counsel knowledgeable and familiar with the Wire Act.

Additionally, the industry should keep an eye on the NH Case – until the NH Case is resolved, the interpretation of the Wire Act remains uncertain.

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