

GAMBLING REGULATORS AFRICA FORUM 2014



COMPLIANCE AND REGULATORY FRAMEWORK



Sun International



What happening in our industry

A \$200 billion industry

The international landscape

- The USA
- The rise of the East

The South African Industry

Alternate gaming – class 2, internet,

Illegal and internet cafes

The trends in casinos and games



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The USA

Used to be the dominant market

- Las Vegas Downtown
- Atlantic City
- The Strip
- Indian Gaming
- New jurisdictions



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Over 1000 casinos
800 000 slot machines

2004	\$31.1 b
2007	\$37.5b
2012	\$37.3b

In Nevada

	State	Strip
2004	\$9.4 b	\$4.6b
2007	\$12.8b	\$6.8b
2012	\$11.1b	\$6.5b



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In 1980 – Steve Wynn opened in Atlantic City with \$160m in Milken junk bonds (sold to Bally for \$500m in 1987) (revolutionised Atlantic City)

In 1989 opened Mirage on the strip and saw the dramatic boom of gaming and Vegas Strip

Colossal growth between 1985 and 2008 due to baby boomers at the peak of their earning years and disposable income and The growth of products related to the excesses of the baby boomers.

Massive developments

Growth in slot play

Spas, shopping malls, clubs, shows restaurants

Harrahs (Gary Lovemore) database marketing



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2008

Economic collapse

Baby boomers has not seen

Loss of 401k, property market collapse,
variable interest rates

Refinancing of properties

Lack of confidence

Broad based caution

**PERMANENT CHANGE IN BEHAVIOUR AND
THE INDUSTRY**



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In 2012:

60% of the gamblers are over 50

Over 50% of the revenue from non gaming activities

Complete change in the operating model

Complete change in the job markets, efficiencies, ratios and structures

Development of other casino jurisdictions to create jobs and growth

Casino revenues in 2013 are still below 2007

Growth in Asian casinos and markets



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The Asian Tiger

Macau

In 2002

11 casinos

\$2.7b

In 2007

28 casinos

\$10.3b

In 2013

35 casinos

\$45.0b

Singapore

In 2013

2 casinos

\$5.85b



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The Asian Tiger

In May 2011 Steve Wynn said at the shareholders meeting
“we think of ourselves very deeply as a Chinese company in
many respects”

In 2012 the Macau revenues were nearly 3 times that of the
US operations



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The South African Landscape



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South Africa Gaming Revenues (R-Bn)

Size of Gaming Market	Sun International	Casinos	LPM	Bingo	Total
2008	5,8	13,6	0,7	0,1	14,4
2009	5,7	13,5	0,8	0,2	14,5
2010	5,9	13,9	0,9	0,2	15,0
2011	6,2	14,7	1,1	0,2	16,0
2012	6,6	15,6	1,4	0,3	17,4
2013	6,8	16,3	1,7	0,4	18,4

Growth in Gaming Market	Sun International	Casinos	LPM	Bingo	Total
2009	-2,0%	-0,6%	21,1%	39,4%	0,8%
2010	3,1%	2,4%	6,5%	44,1%	3,1%
2011	5,9%	5,7%	22,6%	-2,5%	6,6%
2012	6,7%	6,7%	29,7%	44,3%	8,8%
2013	2,8%	4,3%	16,8%	32,6%	5,8%

Provincial Gaming Revenues 2013

Province	Size of Gaming Market (R-Mn)				Year on Year Growth			
	Casinos	LPMs	Bingo	Total	Casinos	LPMs	Bingo	Total
Gauteng	6 843	273	388	7 504	4,0%	19,9%	24,8%	5,5%
Western Cape	2 510	539	-	3 049	5,2%	14,7%	-	6,8%
KwaZulu Natal	3 067	390	-	3 457	5,3%	21,4%	-	6,9%
Mpumalanga	731	106	28	865	4,5%	7,1%	>100%	7,9%
Limpopo	342	127	-	468	-10,0%	11,8%	-	-5,0%
North West	1 034	16	-	1 050	2,7%	20,4%	-	2,9%
Northern Cape	187	-	-	187	0,6%	-	-	0,6%
Eastern Cape	1 169	182	-	1 351	9,1%	15,9%	-	10,0%
Free State	430	21	-	451	2,5%	40,3%	-	3,8%
South Africa	16 312	1 654	416	18 382	4,3%	16,8%	32,6%	5,8%

Gaming Trends

Overlapping of gaming on the mobile, on line and brick and mortar casinos.
Significant growth and opportunities on online gaming (awaiting current legislation in SA) and mobile gaming
Growth in sports betting
Greater interaction between the games and the punter
Gesture enabled games

Social media at the machine
Customization
Google glass / wearable electronics
Thinner, shapeable displays
Cloud / streaming games
Server based gaming
Resurgence of tables games and variations
“right wrapper on the games for the younger generation



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What does this mean for the operators

There has been a stepped change in the overall markets and economy (disposable income pool has shrunk + caution)

The baby boomers pool is shrinking

The competition is becoming fiercer both directly and indirectly

More demanding customers and demanding relevance

Technology pace is increasing

Consolidation of corporates (Five in the US, Two in SA)

Globalisation

High cost of entry



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Regulatory and Compliance

With globalization and consolidation the medium and large corporates want to invest where:

- Strong regulatory framework and enforced
- Stability and consistency in the economy and legal frameworks
- Engaging partnership between government and operators
- The largest asset and greatest risk to a casino operator is the casino licence



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Regulatory and Compliance

For Sun International:

- Acceptable gaming legislation and enforcement
- Use of group standards even if they are not required by legislation

Eg: Internal controls, internal audits, risk management

Self regulation



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Regulatory and Compliance

1. Changes in technology has had a significant impact on the control environment.
2. Digital surveillance systems
3. Casino management systems and reporting
4. Smart card / TITO and cash handling
5. Card auto shufflers and the impact on card counters and locators
6. Chipping machines
7. Slot machine controls



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Regulatory and Compliance

In SA:

- Very strong and well developed regulatory framework
- Used to develop other jurisdictions
- Challenges:
 1. How to keep 9 provincial legislations updated
 2. How to keep 9 aligned



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Regulatory and Compliance

Determining the extent of self regulation

- The relative importance of gaming to the organisation
- The impact of the licence on the group
- The track record of the organization
- The regulatory and enforcement environment



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Conclusion

For the gaming industry to be successful:

- Good regulatory framework and enforced
- Need to keep up with changes and be relevant
- The operators greatest asset and risk needs to be the gaming licence
- The operator should operate with a set of standards and compliance that exceeds minimum legislative requirements
- The industry needs to self regulate and be subject to scrutiny from regulators.



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