

# GAMBLING INSIDER

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**REGULATION SPECIAL**

## Who's on track?

Which international lawmakers are heading for the legal finish line and which have hit legislative hurdles?



**INTRALOT CEO** Exclusive interview with Antonios Kerastaris  
**NEW FOOTBALL SEASON** Bookmakers' plans for 2015/16  
**DOWNTOWN VEGAS** Why it's attracting the next generation



# Changing the model

Intralot CEO Antonios Kerastaris explains to **Gareth Bracken** exactly how the supplier has shifted its strategy as it seeks to compete with a new breed of industry competitor

Antonios Kerastaris is that most welcome type of interviewee: an honest and open subject who is interested in acknowledging and discussing the bigger picture. While many in his position would stick to safe answers or well-trodden sound bites, the experienced executive is perfectly comfortable journeying beyond cliché country into much more exciting and interesting areas. The former company CFO, who made the step up to CEO late last year, openly addresses his firm's need to shift its strategy to keep pace with the competition in an ever-evolving marketplace. Not only that, but he is also happy to outline exactly what that new approach is, and even discuss and assess the activities of competitors.

the distribution channels of your product and content as a means of differentiating your performance and your operation in a world that is changing.

The betting industry still has two things that are a bit more traditional. One is the people that work in this industry are normally people who have only worked in this industry, so it is an industry that has not by and large been cross-fertilised with professionals from other industries. Most of the CEOs have only either casino or lottery or betting experience, and the same goes for most of the people on the level immediately below that.

Also, regulation is at a point that still allows a lot of black market to exist. So

**What are the main changes you have made, or plan to make, to the company?**

We're trying to change the model of operation from a typical B2B or B2G provider, whereby you reply to specific requests, to a B2C operator where you go to the customer. This is a fundamental change in our business model. I think this is where the value is for our industry, and I think this is where we will gradually see the margins shifting from the traditional technology providers and operation contracts. I think we will see a shift in the margins of this industry to the companies that control the relationship with the end customer, and that's where we're making our biggest focus and investment currently.

**How satisfied were you with your 2014 financial results, in which you reported a revenue increase but a net loss?**

The reason why Intralot are making these changes I mention is because we saw that, going forward, if you don't challenge the model, the results are going to show exactly that. The results are going to show that you are competing with significant players for very small margins, and at the end of the day that is a dead-end street for everybody. Our two main competitors decided to address this by acquiring VLT construction companies and content. We are attacking this by shifting our business model because we're looking at the same market – you need to do something to change the model.

**How has the economic situation in Greece affected Intralot?**

We are a Greek-based company with Greek DNA, but that is our only relationship to Greece – we only have 2.8% of our turnover in Greece. In terms of business, in case of anything happening to Greece, what is at risk is 2.8% of our income – we can live with that.

**What are going to be your particular sectors or products of focus in the coming months?**

We have a range of five product categories. Sports betting, where we're globally the land-based number one; lotteries and scratch; VLT – not operations so much as monitoring; interactive games; and racing. To deliver those products to customers we have created three layers of content/service ►

*“I think there will be cataclysmic changes in this industry in the next three to five years. Business models are going to be challenged, and new players are going to come into the market”*

The former Procter & Gamble, Hilton and Mercedes man has some fascinating opinions and insights into the state and development of the wider industry too, all of which makes for an extremely engaging discussion, beginning with a highly informed comparison of his current and previous industries.

**Previous to joining Intralot, you spent nine years in the telecoms industry. How similar was that to the gambling industry?**

Because the telecoms industry is a bit more sophisticated and has been there for a longer period of time – in the context of the mobile world – a lot of practices, technologies and new channels of distribution for content that were the norm in that world are starting to come over to the betting world.

At the beginning of the telecoms industry, technology was the way to make a business. It is now becoming an enabler, much like the betting world. So we started from proprietary technology, which was either a network or the technology to run the lotteries, which was considered to be proprietary. It is no longer the case, so you're moving to companies where technology is the enabler, and then you start working on

there is still a lot of work to be done on the regulatory front that would allow what is currently a black or grey market to become a regulated market. I think this is a big opportunity for this industry.

The betting industry also has a lower barrier to entry than any other industry, so practically you can access a geographic market with a capital expenditure that is a very small fraction of any other industry in the world. So with 10-15 million in investment, you can open a market in most countries in the world, which is unique as a business model.

**How have you found your early months as Intralot CEO?**

It's a very interesting market. There are a lot of things happening constantly – it's a market where you don't have the luxury of taking your time and organising each and every move. So it's very exciting. It's an industry that's in a form of transformation. There are mega changes happening, like what our competitors did last year. I think we will continue to see moves like that going forward. The next five to ten years are going to be very interesting in this industry.



delivery that target understanding our customers and delivering the right content, the right game, through the right channel of distribution. Most of our work is done in developing the technology, but better understanding and servicing of the customer is the key differentiating factor in our new strategy. So CRM, in the words of the market, is our number one investment focus.

**Where does the concept of a multi-channel approach fit into Intralot's sports-betting and lottery strategy?**

You need to be able to distribute your content to the customer through every touchpoint or channel. That is the central point of our new philosophy. We need to be able to deliver the product and the content via a multi-channel approach – through your land-based operations, your portal and mobile. That's what the customer needs. We are pioneers in this and it's where we are putting considerable effort.

**How important is mobile specifically, with regard to lottery?**

Mobile is a distribution channel that is going to help a very traditional business like lottery. The lottery world is a bit more conservative than the sports-betting world, for example, and usually the age of the players is a bit higher. So a new channel like mobile is going to help address a new age group and customer base in an otherwise

traditional market. If lottery games are available through a friendlier means for the younger generation, you're capturing a new market in a game that ignored this specific segment. Intralot is seriously investing in offering lottery products through the mobile channel.

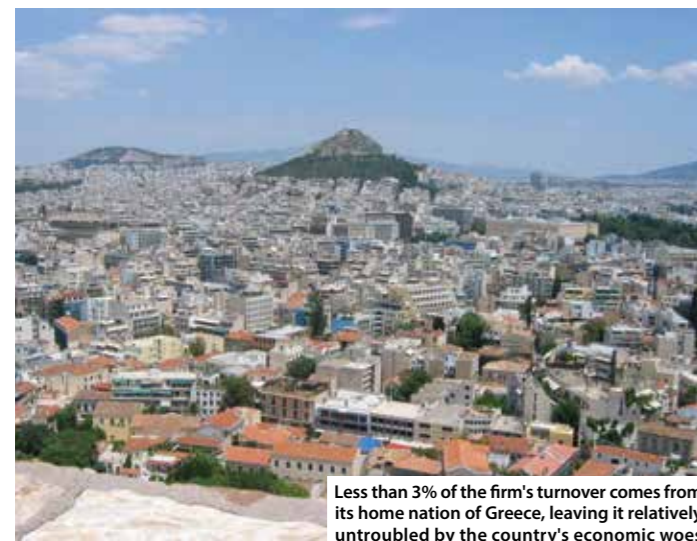
**How is the sports-betting supply sector evolving, and what role is Intralot playing in this development?**

Sports betting globally is the most dynamic sector. That said, there are still very big areas where it isn't regulated, and that is a huge opportunity. For example, in the USA sports betting is illegal, yet the estimates are that sports betting is currently at around 200 billion a year, so there is a lot of illegal market.

There is also growth behind new technologies, so live betting is a driver for the business around the globe. Competition is becoming very steep because the online world is capturing a very big part of the pie with a very small margin, but still the volume is there.

The other thing is the increase in events offered. A good operation three years ago was anywhere between 1,000 and 3,000 events per month. Now you need to be over 10,000 events to be competitive. So the opportunities for the players are growing and the number of players is growing. It is the most dynamic and competitive part of the betting industry.

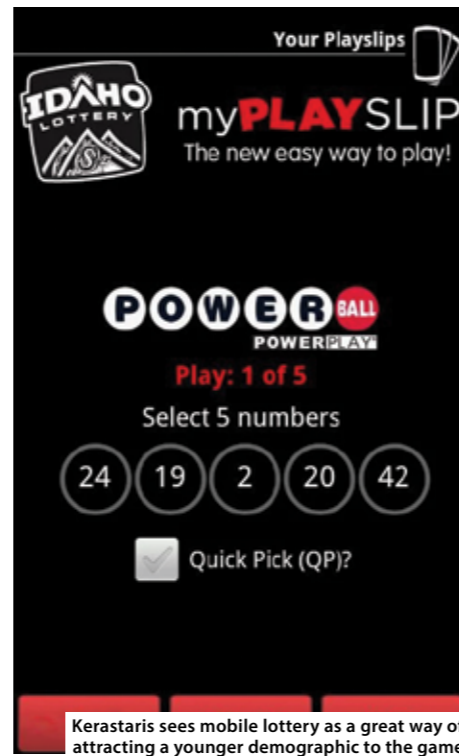
*“Better understanding and servicing of the customer is the key differentiating factor in our new strategy. So CRM, in the words of the market, is our number one investment focus”*



Less than 3% of the firm's turnover comes from its home nation of Greece, leaving it relatively untroubled by the country's economic woes



Intralot's business model is shifting from B2B/B2G to B2C



Kerastaris sees mobile lottery as a great way of attracting a younger demographic to the game

**What are your jurisdictions of focus? Are there any new or emerging regions you are targeting?**

I already mentioned the US, where we are present in the lottery world. We also have a very strong presence in Latin America. We have sports betting in Peru but in Argentina – where we run lotteries – and Brazil, sports betting is illegal, so that's a huge opportunity. If you look at the map of Africa this is practically a greenfield. Everybody is looking but they are a bit hesitant to invest. And then you've got Asia, starting with China, which is a complete black box. We know that the Chinese are the biggest gamblers in the world, but there is practically no regulated lottery or betting, so this is a huge opportunity. Intralot has

been present in Beijing for 10 years now. We have invested in the market – we have the only international terminal that is certified for this market. When this market opens up I think it's going to be a game changer for everybody. So geographically there is still a lot of room to grow.

There are of course other areas that are already saturated. What can you do in Australia? A very difficult market. What can you do in Europe? These are mature markets.

**What are the biggest challenges for Intralot in the coming months and years?**

Companies of our size that have our geographical footprint are going to have to prove that they are fast enough to compete with the smaller companies that operate either as local heroes or in niche product segments, like the Playtech's of this world – although Playtech is no longer a small company.

Companies like Intralot have to prove that they are fast enough, agile enough and flexible enough to compete with those companies. At the same time, we need to be able to leverage our size and footprint, and our B2G relationships, in the markets in which we are already present, to capture the opportunities ahead. I don't see GTech and Scientific Games as competitors to us any more, or the other way round. I think the competition is going to come, and is coming, from smaller companies that find either niche products or markets and beat us to the market. That is the real risk for companies like us.

**What are the biggest opportunities?**

The biggest opportunity is that the three of us put together – the international players – are less than 6% of the global market. So that's a huge opportunity. There is no other industry in the world that has ten constant years of growth at a rate of 4%. So it's a market where the growth is still there. And it's not growth that you need to create – we're not talking about creating the need or growing the expense or the percentage of the disposable income that is invested in our industry. We're merely talking about black or grey operations becoming regulated. That is the single biggest opportunity that we have.

**If we were to speak again in a year's time, what would be the big industry issues and topics we would be discussing?**

Twelve months is a very short period in which to have a complete turnaround, but I think this industry is looking at a very interesting next three to five years. I think there will be cataclysmic changes in this industry in the next three to five years. Business models are going to be challenged, and new players are going to come into the market – that's our feeling.

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Kerastaris sees huge opportunity in a regulated US sports-betting market



Kerastaris cites agility and flexibility as vital if Intralot is to keep pace with certain competitors