International Simulcast Update

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Scott Finley: International Racing Consultant

SPEAKERS:
Ingo Dellbrügger: Vice President, Operations, XB Net
Andre Gelfi: Managing Director, CODERE
Franck Rousseau: International Business Development, Pari Mutuel Urbain (PMU)
René Schneider: Vice President, Business Development, TSG Global Wagering Solutions LLC

(Due to technical issues the first 17 minutes of this panel was not recorded.)

Mr. René Schneider: Betting companies want to be in the position to offer racing 24 hours, live racing.

Understand your customer.

This means first adopt your sales speech to whom you are talking.

You need to convince several stakeholders in the company ranging from the finance director, product manager to the IT group.

Get answers to questions, what betting platform are they using? Is there a tote betting path in place?

When the third party software is used, try to have the integration done even before you approach the customer.

Bottom line, it's all a technology brain and having the right partnerships.

For example, to get countries Spain and Mexico sign up, we first had to do integration into the best gaming technology self-service betting terminal.

Now that XB Net is integrated to the BGD terminals, U.S. racing can also be exposed by our self-service terminals to other BGD customers like William Hill, Ladbrokes Patty Bower to name a few, in addition to existing bet—

There are companies which would like to offer racing, but lack any expertise in regards to racing, or have not the resources to develop their own race book.

In these cases, we have our wide label race book which can be integrated by a valet interface within weeks.

In 2013 we reached an agreement with Turf TV to carry up to three US fixtures per evening.

Turf TV was set up between RMG and Timeweave 2008 to promote its 34 UK racecourses into UK and Irish betting shops. Currently our races are going into 7,000 shops.

The success of the channel, when it comes to North American races is based on prime racing content, clean feeds, localized graphics and British English race moderation.

To make the package complete we have the date of distributed via the press association to the book makers, and the racing post mimics the race cards displayed in the shops alongside the UK cards which includes uncoupling of the race's horses.

From a book maker point of view, the integration was seamless, they got what they asked for and what their partners are looking for and I used to.

At the end of the great shop in delivering the US feeds for us into the UK, and we are working with them to increase the channel capacity. Let's have now a look at the short movie so that you get a better understanding of the product, how it looks like.

[Video playing]

Mr. René Schneider: Thank you. Can we go back? Okay.

One of the questions for the panel to answer was how does US racing, with all its content, properly position its products to take advantage of potential new opportunities?

Looking at my wish list for Christmas I may ask for free iTunes.

Stick to post times, which is really essential when US races are mixed with local races on a channel.

Provide more clean feeds and invest in the signal quality — keyword, HD — to be competitive with other international signals.

The more we can work together, the more attractive we are gonna be to the international marketplace, and the other side that can play is often pricing.

Thank you for your attention.

Happy to answer any question after the session as well.

[Applause]

Mr. Scott Finley: Thank you René, that was good.

I can't second enough, stick to post times.

Very, very, very important.

Not just in international racing, but also in domestic racing.

Handle suffers when there's race clashes in any country.

Andre Gelfi is our next speaker. He's the managing director of Codere Brazil for the last ten years.

Prior to that he also worked with Codere, which is the parent company, in their Madrid, Spain headquarters.

Codere is the leading racing and gaming operator in all of Latin America, and when simulcasting was legalized in Brazil in 2006, Andre headed down to the biggest country in South America to try to set up an international simulcasting business.

There's many challenges in every country, and I think Brazil's a potential great market. Lark's done a good job of bringing other South American country's races into the US, and Andre's trying very hard now to reciprocate and get American racing into Brazil.

He's going to talk about a new joint venture with the Jockey Club of Rio Grande del Sol in Southern Brazil, and they're going to be launching an ADW for the first time that will also cover American racing in Brazil.

Andre?

Mr. Andre Gelfi: Well, gentlemen it's a pleasure to be here.

Thanks, Scott, for the introduction. Thanks for the opportunity.

As Scott well said, and he already did part of my introduction to what we are basically working at in Brazil.

We are about to launch this.

The timing is perfect in this regard.

I'm going to present you with firsthand what we are about to launch January the 4th in Brazil.

It's basically — as you said, with a different guise.

We are basically — our challenge in Brazil is to go after not only the local racing community, which is very tiny in Brazil.

For obvious reasons we've limited content with historical problems with technology and the tote systems in place.

Also distribution.

As I assume that most of you guys know, Brazil is the last frontier for gambling, for gaming.

Gaming is very limited in Brazil. There's only traditional lotteries and racing.

Online there is very, very little competition.

There is very little content, betting offered.

Although it's little, in Brazil at this moment, according to Facebook, 5,600,000 Brazilians are placing bets, real money, online.

It's not a small number, and I think that this is where racing should be looking at, not only to the racing community.

If you could start with — I put together a video to make sure that I address every single feature of what we are planning for Brazil.

If you can start the video, please.

[Video playing]

Mr. Andre Gelfi: This is pretty much what we are about to launch in January, and I would be glad to answer questions at the end of the panel. Thank you.

Mr. Scott Finley: Thank you Andre.

That's very interesting.

That's the first chance I had to see that video. It's very exciting.

I know very little about South American racing, and I have not been to Brazil, but I would certainly look forward to going down there and seeing the progress that's going to be made.

Speaking of Brazil, we had, as Liz said, a late scratch. My colleague Inez Hendili-Leon was meant to come and participate on the panel today to talk about a new venture in Brazil also for the French PMU.

Fortunately we had a great guy on the AE list that drew in and that's Franck Rousseau, my colleague.

Franck is the international strategy manager at the PMU international department.

 He's served for over 15 years in various PMU departments and functions and marketing.

He was also instrumental in setting up an online betting site in a joint venture with a French racing newspaper called Geny.

Franck led the team that launched the geny.com online betting website.

He has two degrees, his undergraduate degree is in marketing from a French University, and he has his MBA from UCLA in LA.

Franck certainly has experience in the US and with the market.

He's going to tell us an overview of what's happening in France with the PMU, and then talk a little bit more specifically about what it takes to get French racing into the US and American racing into France.

Franck, thank you.

Mr. Franck Rousseau: Thank you very much, Scott.

Good morning ladies and gentlemen.

I'm very honored to be a speaker today. I'm excited because it's my first time in Tucson.

Sorry for I don't have the same Inez. I don't have the same job as her, but I will try my best.

First, I would like to maybe introduce PMU by a short movie.

[Video plays]

Mr. Franck Rousseau: As you saw the PMU is a very long story about French racing and French horseracing and betting, because France is a nation of horse lovers.

Horses are a real tradition in France.

Horse betting also and horse betting belongs to the ecosystem of the French horse industry.

The PMU just finance almost 80 percent of the horse industry in France.

On racing the, a pari-mutuel as a French way is one of the best system to finance and to support the French horse industry.

Very quickly some few figures about the racing sector in France, we have almost 250 horse tracks, which represents half of the horse tracks in Europe.

We have more than 15,000 races a year, of trotting races, flat, and jumps.

We have races every day, seven days a week, and we have approximately a race every 15 minutes.

The average number of runners in a race, in the French race, is 13 runners.

For 2014, the prize money was 190 million for flats and gem presses, and 250 million for trotting races.

I think everybody knows the most famous racing events in France, for Galop Prix de l'Arc de Triomphe, just to give you some figures for the last Prix de l'Arc de Triomphe we just met for the only race of l'Arc de Triomphe 30 million euros of stakes only on the race.

For trotting we have Prix de l'Arc which runs every last Sunday of January, so the next one would be very soon.

—we have one million equine animals in France, and over $14 million US turnover. All the systems, all these ecosystems makes 180,000 jobs in France, which represent almost 4.6 percent of the active population.

Some fields are PMU. We have 6 million customers in France, 12.5 thousand retail outlets.

We have some problems with our outlets because it's usually in bars and cafes.

We just realized it was just not a very good match for the punters, for beginners, for women, or for people who want to try to bet.

We just move it a bit, and we diversify the network.

Now we created some new concepts which are called PMU Express for people who just want to — who just want the tickets.

Happily, PMU as you maybe see on the slide, which is of new concept for beginners.

It explains everything about the racing about the races for beginners.

We created some flagships called Payment City in the big cities in France for the image.

We try to diversify our setting network.

We launched in 2003 PMU.fr, our website, which now is the number one online betting site in France with 365,000 active accounts.

We have a large range of bets, so we have all the win and place and all the bets, and the famous Quinte+ which is the product that offers the bigger hope of winnings. The record was recorded on the October 2011 was 10.5 million euros for the winner.

We have — in order, and we have a jackpot so you have to have a number between 1 and 3,000.

You can win the jackpot.

How was the breakdown of the 10 million euros handled in 2014?

The return to the punters is at 75 percent, 7 percent of tax, 3 percent of VAT, and then the net betting revenue is almost 15 percent.

We believe strongly that the system, this pari-mutuel system, is the best to finance the industry, because in 2014 PMU pays back to its shareholders

which are the horse company like France, for the France Galop, and the —for trotting races.

PMU just found they give back 850 million euros to these companies.

To give you an example, in UK the turnover is mostly the same in relation to the horse industries around 150 million.

In 2014 PMU gave back 850 million to the horse industry. A few words now about the PMU international activity.

We import foreign races to complete the domestic program.

In 2014 we imported, sorry, 2,800 foreign races from 28 countries which represent around 650 million viewers.

For exports we export French races, simulcast abroad to foreign markets.

As I told you, the French races are many qualities because it's qualities for number of runners for having race every 50 minutes.

We propose common pool, 34 mutuel partners in 19 countries in 2014.

We operate apart in separate pools, so it means we just make this partnership between the separate pool for technical or financial reason.

We have 38 partners in 27 countries in the world.

This represents more than one billion euros a year in 2014.

We have the map of all our partnerships.

In red you have the BTB common pool.

For example, in Europe, US, Russia and some other countries most of separate pools partnerships are in Africa, Australia and in some countries we have both.

Then we start a new economic model in international activity.

All the gross international was support by BTB activity.

From very soon, we think our worth should pass by BTB partnerships, because we have a lot of partnerships in common pool, import a huge number of foreign races, and now we'd like to export our knowledge and expertise to other companies, to another country.

The first step we made is to buy Belgian operator called Euro Tierce. We bought it two years ago, yes, in 2013.

It appeared very quickly a profitable venture for us.

This is a big, the first test of BTC expands from PMU.

Then the more recent experience, maybe you heard about it.

We bought a few months ago the German Tote.

PMU took 51 percent of the German Tote stakes. The aim of this oppression is to export our knowledge on these things that — with a market of 80 million people in Germany.

Turnover is less than 250 million euros.

We strongly believe we have a very good potential to minimize the markets.

I think the market is underestimated.

That's why we made this operation, because we strongly believe we can bring our experience to manage, and let's network to sell the races.

The last but not the least experience is from a few weeks ago in October 2015. Jockey Club went to us just went to us to ask PMU to have them to develop the races in Brazil.

We created a company called PMU Brazil, and the aim of this operation is to export exactly the same model that we have in France, which means PMU will make the operation for the GCB.

PMU will manage network the outlets we sell the races orthe best.

The GCB will keep the organization of the races exactly like we do in France.

PMU will only have the commercial parts of the partnerships.

GCB just keeps the horse sports part organization.

Then, the two last slides maybe will interest you.

It is the exportation of French racing to North America.

We started in September, 2002, separate B pools betting offered on Prix de l'Arc de Triomphe.

Then, from November 2011 we have a daily common betting pool lunch, but we need some conditions.

First is to reserve the numerous totes picture issues.

This is a big question to explore the French racing in North America.

The second it's to have perfect links for ITSP compliant bet types.

This is a very, very important technical condition.

Then since you have seven USA betting partners predominantly measure online while working with PMU common pools in North America.

Common pools are Prix de l'Arc de Triomphe since 2012.

This is a time of day where we — not very easy, because these are in the morning in the US.

Last Prix de l'Arc de Triomphe we have up to 55 partnerships in US.

Next step, looking ahead, it's to expand play and French harness racing with USA style that is emphasis on past performances.

Maybe to launch live broadcast service in English and North America markets.

Then development of interface that handle French super exotic bet types.

As you know, ITSP just come in to have simple bets, simple trifecta, exacta and for exotic bets we working on a new development in the first— interface

Then, for the import of foreign races into France, it's not the only decision of PMU.

We're working with share holders with horse company like France Galop and Le Trot. We just import flat racing from Argentina, Chile, and Uruguay.

For trotting we import Netherlands, Spanish races, and Yonkers from the US, which is a very good example and a great success.

For both the rights, we have races from Belgium. We have the rights for Belgium races, Germany and Switzerland.

Thank you very much.

I'm ready for questions afterward.

Thank you.

[Applause]

Mr. Scott Finley: Thank you Franck.

Okay, now we're gonna hear about all these challenges.

We know they're out there.

Each country has different needs, but how do you solve them?

How do you pull everything together and wrap it up?

Ingo Dellbrügger is the vice president of operations for XB Net which is a Stronach company. He works very closely with his colleague Renée.

Renée does the selling, and then Ingo has to build the systems to make it work.

He knows firsthand what it takes to solve all these issues of customer acceptance and just even getting the bets back and forth between countries.

Ingo has over ten years of experience in the racing industry.

He began his racing career with the German Trotting Association in marketing.

Before that he worked in the engineering business and also in management consulting for large firms.

He actually started out at the European Central Bank.

Maybe he'll be able to tell us how the euro is going to do against a dollar in the months ahead.

Anyway, Ingo, thank you very much.

Tell us how you make it work.

Mr. Ingo Dellbrügger: Thank you, Scott.

Many thanks to Doc for the invitation.

Welcome, everybody.

I can't give you an exact answer on how the euro develops against the US dollar, but I can tell you that I can't bring more stuff back to Germany when I buy in the US now, because it's expensive for me.

It also has a direct impact on the business we do in Germany in euro-based countries because it's, now then if you convert this to US dollar, it's less.

Okay, I'll give you a short overview about our learnings from exporting US racing and the daily challenges we face doing this.

Our company's overall task is to export and market North American racing to international markets.

We make sure that the daily operation of these races is a carefree experience for our customers.

These customers vary between smaller private companies, network affiliate operators, big online and offline operators, book makers and whole racing organizations.

Each of them requires a really different service and solution to support their daily operations.

Every day we face one or more of the issues I will show you on the next slide, and the good news is none of them is a show stopper today in exporting North American races.

Over the years we tailored our operation with specific solutions for each of the issues.

If I take all the hot words of the last ten years, panels regarding global betting and international simulcasting and group them, we see there are a lot of topics coming with it.

Mainly we are selling into highly competitive markets in mainly Europe where sports betting, online casinos, and online poker are allowed.

Our job is to make US horseracing competitive in each of these different topic groups and minimize hurdles for customers.

Let me pick some of these hot words to explain.

Marketplace. As Renée mentioned in his presentation, we define stand up processes to check these topics before and during negotiations with potential customers.

For me in my role, check.

If I take just the topic of currency conversion, minimum stake, that is always a topic.

In countries with weak currencies, the $2.00 can be very expensive in the native currency. A lot of speakers in the last year addressed this topic.

Since penny wagering and different lower minimum stakes apply on most bet types in the US, we at least can give **[inaudible 00:53:16]** cheaper alternatives.

We can't solve the issue, but we can give them alternatives.

We educate our customers, typically, to always display the US dollar stakes on their sites and costs of the bet.

In strongly regulated markets like Turkey where they do their own pools, they are able to set their own minimums. That's really helpful as the Turkish lira dropped 30 percent in the Launch team 12 months against the US dollar.

Doing the same handle in Turkish lira now leads to less money for the US trackmen, the final settlement is done.

Some of these issues we see are, quite simply said, educational and language topics.

Let me pick the example of the name of the bet types.

A show bet in the US is a place bet in Germany, which is called **[foreign language 00:54:14]**.

If we would translate this to the German language it wouldn't make sense.

How to deal with it?

Localize it, localize bet names into other languages or not, we educate our customers to keep bet names as they are.

Keep them in the native language, otherwise people really get confused.

There's so much betting opportunity outside, so you can't handle this. Another example, Swedish 365 is like a Pick 6 in the US, but it is a completely different product with different rules. Localization is sometimes helpful, but not always.

We need to respond to customer demands.

At a certain point, horse racing gets digital, meaning everything you experience, life on the track, gets translated in zeros and ones, in bits and bytes and immediately is available around the world.

That's when the product needs to follow some additional rules and protocols. Franck also mentioned that in his presentation.

Especially when it comes down to data transactions, video distribution and bet powers.

Customers demand digital services based on today's standards, and data needs to be transferred fast, reliable and seamless. That's where we step in.

Let's take a deeper look on the daily data and technology issues.

Customers struggled in the past with the different distribution-specific elements.

Where to get the signals, how to integrate data, and then also to match this with tote protocols and bet pass from at least three to five different suppliers.

For this reason, we created software called Easy Gate which enables us to deliver all three different parts as one solution independently from the numbers of suppliers.

It works like an international hub connection and absorbs all different data sources and streamlines it into a single data pass, provides video access to different streaming providers, and also gives a way back into the pools for different tote systems.

It's almost like a monitoring tool for us for customer activities.

As René said, technology is sometimes the key to success.

We also developed some more add-ons based on this software, which is Excite, which is white label platform you can hook up into any other digital program and connect it via wallet service to give customers the race book and the horseracing experience without what the BTB customer has to have this knowledge.

 It's a multi-language tool, multi-tote tool.

You just skin it, put it in, that's it.

It carries more than US racing, so then people demand more than one product.

It can carry technically UK, Irish, German, South African and all other racing products, also PMU.

Then we have a connect tool which is used by Codere in their various operations, which we needed to develop to be integrated into the best gaming technology terminals.

It helps us to push data around and through two different systems.

Then we also developed the dashboard, which is a monitoring tool for customers in the Turf TV or the Turkish Jockey Club and some UK book makers to monitor US races in their back office.

Just to give you a few examples of what we do.

Within our software we harmonize and control all data elements.

The goal is always to eliminate misinterpretation and to create IT readable data.

Why? I said because the industry demands it.

We need to be competitive to other products like sports betting, casino or even lottery products.

Specifically in the sports betting market there are a lot of companies being specific on data collection and distribution with tons of standardized and harmonized info they sell to all the different companies.

Just let me walk you through some examples out of our horseracing world.

If we get data from the US, we have at least, in the moment, 525 different source entries for the different distances of a race.

At least, in this example, we have eight different entries for the distance of one mile.

This makes the data not useable and interpretable through other systems.

We standardize it down to one mile in our system and also into the equivalence in meters.

If they would come up, show up a ninth entry, we would also then get alerted and match it with the one mile so that it's harmonized.

Otherwise our customers can't use this data to sort and to match queries on horseracing data.

If I pick the time zone example, in the US you have more or less four different time zones where the races go off.

The races are always published with their post times in the specific time zone.

For example, if you don't know where Turf Paradise is as our customer, and that you need to apply a rule to add Mountain Standard Time, and also don't know that Arizona is not doing summer/winter time, this can lead to wrong time displays on your system.

It's as easy as it is.

We translate all times.

The time zone from each track we carry into a 24 hours format, based on central European time and take the data and post time to create a standardized data formatted entry our customers can work with.

It's all about getting it interpretable through other systems.

Other example, odds conversion.

In the US, final results are displayed based on the minimum stakes of the specific bet.

What we do is we harmonize it down to one US dollar basis and install them and send without the limiters.

Whatever you need to do, how to manipulate or translate the data, you are able to do this without checking if there's a new rule which applies to the data we are sending them.

Also, as said, we monitor actions in our system. **[Inaudible 01:00:24]** and show pools are always a topic in the US.

If a client places a show bet higher than, let's say, $200.00 with an actual odd of the entry below 1.09, we get alerted and can step into this process and inform our BTB customers to watch this client or even stop the end user's activities, because we don't want to end up with negative breakages.

Another example is cancellations. To satisfy our customers with more exact information, we define the council starters in our system.

So for races whenever a race is cancelled, to explain the tote typically, since a zero result with an official status.

We set this status and push it out to our customers, so immediately, within seconds; this is published to all of our customer systems.

This is just another example of how we try to fit into customer environments.

White label integration, the customer itself operates mainly in casino and sports betting, and started his online business this year.

They had no clue about horseracing. We took our white label and developed the complete horseracing part.

You see this surrounded with the orange line?

That's the whole part we deliver into his system, and for the end customer it looks like it's coming out of his system.

As part of this service we also post and maintain the software and do the daily horseracing set up in operation.

The only thing the customer needs to do is market the product. Thank you.

[Applause]

Mr. Scott Finley: You've seen an overview of many of the different challenges that our colleagues here have to face.

What do American tracks think about when they want to export their races to Europe?

I mean it's good to have a group there that takes care of all those problems for you.

We've got time for a few questions.

Are there any questions from the audience?

Okay, well I have some.

I think that we'll start with you, René.

What have you discovered is the most important factors to influence your customers in a new market to bet on foreign racing, as opposed to their own domestic product, or on sports, or on casino games?

Turn the mic on.

Mr. René Schneider: First you have to really understand their needs, what they are looking for.

Then you have to tailor the product, give them what they are asking for.

Then the pricing.

The pricing has to fit.

You're competing with a lot of other products, especially in the UK. To a certain degree they are waiting for you, on the other side they are not waiting for you.

Really, you have to make yourself fit into their needs. Yeah. Online they are tough negotiators, the UK bookies.

They have a really — they know what you need, and you need to get them what they're asking for.

Time zone helps, in our case, because sports **[inaudible 01:04:11]** and UK horseracing that's handled by 10:00 p.m. their local time, so that's where we kick in.

Special event in the online world, so we can get them across the night with a live product.

It's all about having a live product.

 At a certain point of time, people get tired of the poker games and casino games.

Yeah, get them what they're asking for.

Mr. Scott Finley: The UK is a very unique market, it's a huge gambling market, particularly for horseracing.

I don't think everyone realizes that only five percent of the total UK handle, which is roughly about $12 billion, again it depends on the exchange rate of the pound to the dollar.

Only five percent is tote betting, pari-mutuel.

The rest is all fixed odds or the book maker's.

We've tried, over the years — René's group's tried, I tried, Racing UK's tried, our friends at Philadelphia Park have tried to get the fixed odds culture to bet pari-mutuel and common pool into US.

It's a real tough, uphill battle.

You have to really offer two different products to UK market.

One, the traditional British odds, and the bookie's taking the risk but he's got a 17, 18, and 20 percent take-out to manage against.

Or parimutuel come in and get the large jackpot pools.

The betting culture in each country is definitely different.

Speaking of betting cultures in countries, I'm gonna ask Andre a question, because Brazil looks like an exciting market, and he illustrated a few of the cultural differences there, just with a very mobile, young, upbeat population.

Andre, what have been the primary obstacles that your group has had to overcome, starting out initially, and then even now.

Do you see different challenges with the online product that you're gonna offer in January?

Mr. Andre Gelfi: Well one of the major difficulties we had to go on a very mutual basis was basically to agree on having an ITSP compatible tote system in place that would allow us to do that.

Now we have it in place, and looking further down the line the big challenge we have is basically to design a different customer experience that would attract the attention of this recreational audience, you're aiming to drag to the product, to racing.

Mr. Scott Finley: Okay, good.

One more question.

Any takers out there?

We got a lunch to go to.

All right, well thank you very much.

Thanks to our panelists, and enjoy your lunch today.

We will see you soon.

[Applause]