



Getting to know Greentube

Novomatic Group is aiming to dominate the global iGaming market through its interactive arm Greentube, following a major restructuring of the subsidiary. Despite being a key component of one of the industry's largest corporations, few are truly aware of the scale of the business. In an exclusive interview, CEO Thomas Graf lifts the lid on the company



FOR A COMPANY two years off its 40th birthday, Novomatic has come a long way in a relatively short space of time. The slot machine manufacturer founded in the midst of vineyards in the Austrian town of Gumpoldskirchen is now a global business. Gaming machines are still built in the town, but this is now just one of many strings to the company's bow.

It supplies slot machines, electronic table games and other land-based gaming products to clients in more than 75 countries. It also owns and operates casinos in a variety of European countries. It is an active player in the B2B lottery market. It also runs a thriving B2C sports betting business. And, of course, it is present in the iGaming market through its Greentube division and associated subsidiaries.

One criticism occasionally levelled at Novomatic is that, for one of the industry giants, it has a relatively small share of the online market. The reasoning being that, while it rubs shoulders with the likes of Scientific Games and International Game Technology in the land-based sector, it arguably can't be compared to online supply giants such as Playtech or Microgaming.

It's something worth looking at. Novomatic Group is comprised of around 300 subsidiaries, with a number of these managed directly by Greentube. Greentube is a cog in a much larger machine. In order to protect its core land-based businesses, which contributed the bulk of Novomatic Group's €4.9bn revenue for 2017, everything must be whiter-than-white.

"I think the speed was defined by our land-based legacy," Greentube chief executive and Novomatic chief technology officer Thomas Graf says of the company's online growth. "Because of our global licences we had to really look at which jurisdictions we could enter, in order to avoid threatening our bread-and-butter businesses. In comparison to other companies we could have been seen as slow, but this was to protect the broader company."

It should also be noted that Novomatic did not make a concerted push into the online market until 2010, when it acquired Greentube, then a predominantly skill-based gaming business. In comparison, Microgaming was founded in 1994, and Playtech in 1999.

Graf explains that while Novomatic had already supplied iGaming content to the likes of Sky Betting and Gaming, and Rank Group through a proprietary remote gaming server, the Greentube deal was designed to speed up its progress online. The business has grown steadily since, with a major restructuring

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taking place during 2017 to turbo-charge Greentube's growth.

"The core restructuring was focused around three areas," Graf explains. "One was our player-facing real-money efforts, and another was our B2B content supply business. The third was our B2B and B2C social gaming operations."

"What we have done is to restructure our technology set-up, and developed a new in-house platform called Matrix. This allows us to bring products to market faster, and roll out new B2C offerings more rapidly."

Graf says that the restructuring was largely prompted by regulatory developments.

"Nowadays you see many markets have established dedicated iGaming legislation, so we have to be able to integrate these [regulatory] requirements as quickly as possible to roll out products in the market," he says. "The regulations are not standardised, so can change from jurisdiction to jurisdiction. If you take Italy, for example, the requirements are quite different from other countries, so you have to be able to adapt as things change – as they often do – and the technology has to adapt."

Hybrid model

It could be said Greentube is perceived as a sleeping giant, as it is difficult to compare it with any other gambling business. It can't be called a B2B business, as this fails to acknowledge the B2C elements within the company. These can't be dismissed as showcases for Greentube's games and systems, as the com-

pany is happy to bring in third-party solutions where needed.

“We also use other B2B solutions for our retail and online channels because our operations need to have best-of-breed products,” Graf says. “We are running third-party solutions side by side with our technology. It’s a competitive situation that drives the performance of both.”

He argues that lines are blurring between the B2C and B2B markets. For years it was widely believed that a B2B operator moving into the B2C side would effectively kill its original business as customers evolved into competitors. Of course, this was patently nonsense—Novomatic and Greentube have been doing this for years.

“Integrating B2B and B2C solutions is becoming more commonplace,” Graf says. “You see B2C companies buying or developing their own technology, so it’s becoming quite a mix of B2B and B2C. For us, this was always part of our strategy and allows us to perfect new products in our own operations before offering them to the market.”

He admits that in the casino market this is not always as easy, with potential clients wary about getting into bed with a competitor. But, he adds, “If you have good products and they perform well, the B2C competitors will want them.”

And Novomatic has some strong performers thanks to its land-based heritage, which are now being repurposed for online play.

“Players will seek out the games they know and enjoy,” says Graf.

“We have our own iconic, blue-chip games that perform well because they have solid mechanics, have been installed on thousands of machines, and have long shelf lives,” he explains. “Online is quite different. If your online casino is offering hundreds of games, it’s less about the game mechanics and more about where it is positioned on the site. Features such as jackpots, free spins and bonus are increasingly important.

“This means the move into online development has been a learning curve but has also revealed that the cross-conversion of titles from land-based to online works quite well,” he continues. “People who know the games from the land-based sector like to play them online, so you don’t even need to advertise—they will find them, play them online and won’t quickly move to another title.”

This also enables Novomatic to offer clients games that are already popular with players,

without getting caught up in the restrictions that come with licensing branded titles.

Barriers to progress

A key focus for the company has been identifying a way to bring the land-based and online business together so as to launch games across all channels, resulting in the Plurius solution. This is the first product developed through extensive cooperation between Greentube and Novomatic’s development teams.

“It is a true server-based solution, but omni-channel at the same time,” Graf says.

With Plurius, all games are hosted on Novomatic’s servers, which means players can access games on land-based terminals, then continue playing the same game session via their account on a mobile or desktop

device. It also offers biometric identity verification, meaning that customers can log on to the terminals with their fingerprint.

“The advantage of this is that it is easier for regulators to control, as everything happens on the server, and from the player point of view it is more convenient,” he adds. Once the user has created an account, they don’t need a player card to access their funds or continue gaming sessions.

However, regulation is a roadblock to the widespread adoption of this and other solutions. “Because of a lack of proper legislation for this type of product we are currently only using it as a VLT solution in the Czech Republic and Slovakia,” Graf says. “When regulations permit we plan to link the online version, for a full omni-channel solution. We think that’s where the industry is going but it can take regulators time to adapt to new technologies.”

Graf adds that despite the slow regulatory process, Greentube is ready to go when regulations catch up. This is also true of the United States, where the Supreme Court has overturned the federal ban on sports betting, following a long and protracted appeals process.

Betting on the US

Novomatic has a new omni-channel retail betting solution under development, Novo Prime Sports, which is slated for an initial launch in Italy but could be deployed in other markets, including the US. This, however, is just one of many in-house betting platforms





Greentube
front desk

in the Novomatic stable. Its Serbian retail betting chain Millennium has a proprietary mobile solution, which it aims to roll out in other Balkan markets. On the B2C side, its Admiral brand has a solution that is also likely to be launched in other markets and has an increased focus on the mobile channel.

“There is a lot going on. It’s not one solution fits all,” Graf says. “We just need to work out which solution works best where.”

The sudden swing towards sports betting as the key US gambling vertical, after years of operators and suppliers chasing online casino and poker regulation, is forcing operators into a quick about-turn in their US strategies. Yet Graf is unsurprised. He says US players are still wary of casino gaming, while surveys have suggested that as many as 80 per cent are in favour of legalised sports betting.

“Sports betting has been very restricted,

but it’s still huge, and it’s all about channelling the players to the legal offerings,” he explains. “I don’t think there is as much negative sentiment towards sports betting [compared to casino], especially with daily fantasy sports being around for so long.

“Of course, there are some issues around betting integrity, but I think in general it’s [seen as] a softer form of gaming. The popularity of US sports means it will be widely accepted.”

He still believes that widespread online casino legalisation will occur at some point, but with only Pennsylvania having signed iGaming legislation into law since the New Jersey market opened in 2013, the rollout of state-regulated sports betting will happen much faster.

Whenever online casino is more widely legalised in the US, Greentube will be ready, having used its Greentube Pro social platform, developed by its BlueBat Games subsidiary, to

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Greentube HQ



partner land-based casinos in the market. It counts Connecticut's Foxwoods Resort Casino and the Seminole Tribe of Florida, which owns the Hard Rock International brand, among its B2B social partners.

While doubts persist around the potential convergence of social casino and real-money gaming, Graf argues it has worked well for Novomatic and Greentube. He says the social platform acts as a marketing tool for land-based partners, almost a digital marketing training aid for land-based casino marketers who, he notes, still often communicate with customers by post. This is not a new strategy – it's already proven to work in Europe.

"Our largest [social B2C] brand, GameTwist, has been around for 15 years. It was originally started as a skill gaming platform, before casino games were added, and it worked on a subscription model," he says. "Early on, this model was converted to virtual currency – this was all before Facebook and other such acquisition channels – and it's still one of the biggest social gaming platforms in Europe."

Greentube has also enjoyed B2C social

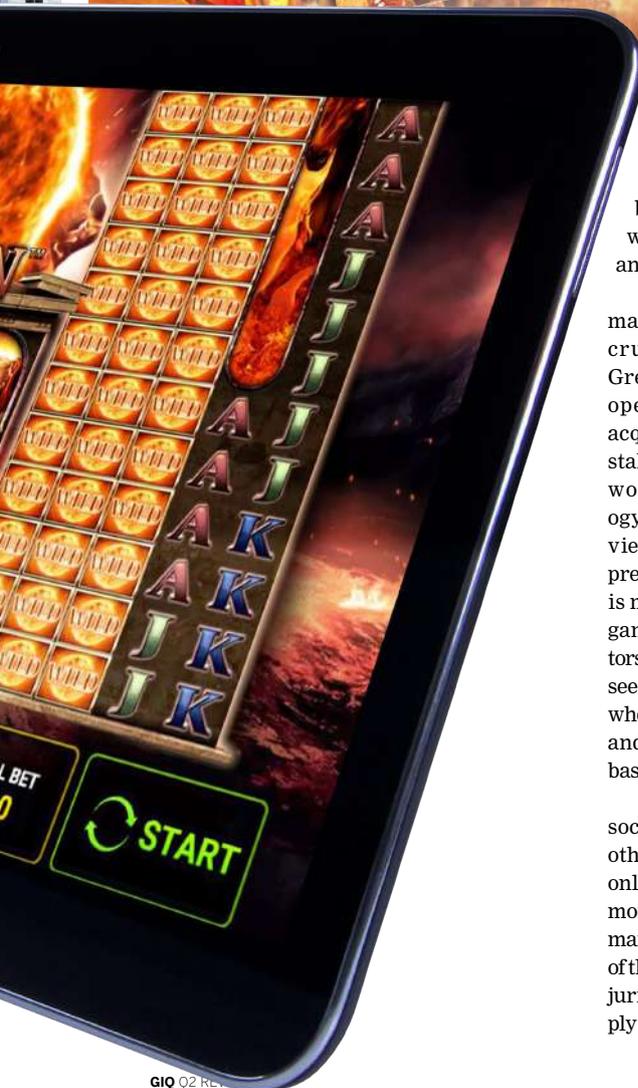
success in the US, via the Austria-based studio Cervo Media. In the early days of social its Pharaoh's Way slot app was among the top 10 highest-grossing apps in the US, and it continues to be live and successful.

It seems that for any vertical or market development, Novomatic has a solution stashed away somewhere. With around 300 subsidiaries under its umbrella, it probably does.

Multitasking

With so many moving parts, this throws up a huge challenge for management. To ensure the business can function efficiently, Novomatic's core management hold multiple roles. In his dual roles, Graf not only manages Greentube, but also oversees all Novomatic's development hubs in the UK, Spain, Poland and the US, as well as jointly looking after the US business with Novomatic chief executive Harald Neumann.

"This is quite common with Novomatic," Graf says. "It's mainly to ensure that everyone knows what is going on across the business. Because we are in B2B and B2C, it is crucial for



jurisdictions that adopt legislation to permit regulated iGaming.

Fighting on multiple fronts

There are also opportunities for regulation closer to home, with Germany a prime example. Graf describes the German online market as “challenging”. Greentube pulled out of the country due to regulatory uncertainty in 2017, and he doubts any treaty to regulate gambling on a federal level will come into force anytime soon.

“We are preparing a launch in Schleswig-Holstein later this year,” he says, “and we will wait to see how further regulation of the German market unfolds.”

In the company’s home market of Austria, Greentube may benefit from a crackdown on unlicensed iGaming. The Austrian government is looking to drive unlicensed operators out of the market, with Austrian Lotteries the only company licensed to operate online. This could present an opportunity for Greentube as a B2B provider of games to the regulated sector.

Switzerland also offers opportunities. A referendum on 10 June saw almost 73 per cent of the population vote in favour of legislation that allows the land-based casinos to launch online. This will allow Greentube to compete for new clients as these venues look to move online.

This leaves Greentube positioned for growth on five continents. Even in an industry where companies regularly talk about the importance of an international

outlook, this is remarkable. It

has a proven track record of succeeding in almost every vertical it enters. Much of what it does goes against received industry wisdom, such as using social as a precursor to real-money gaming in soon-to-regulate markets and running a hybrid B2B and B2C business, but it has

been effective. So effective that others are following in its footsteps as technology providers, game developers and operators merge into one.

This puts Novomatic and Greentube in an enviable position. But businesses can be acquired and markets can be entered. Novomatic’s strength appears to be built on its workforce. From the predominantly female staff on the manufacturing floor to the company’s founder who still keeps an eye over the business, there is a sense of entrepreneurialism and common purpose that still burns strong after almost 40 years. If only that could be easily acquired. ■

all management to understand the aspects of each business, to ensure synergies can be achieved. We have regular meetings where we discuss key events in each market and how we can deal with them.”

This multi-discipline approach to management will become more crucial as Novomatic and Greentube look to expand operations. Last year’s acquisition of a majority stake in Australia’s Ainsworth Game Technology was completed with a view to expanding its US presence, and the company is making plans to roll out its games online to licensed operators in New Jersey. The acquisition also sees Novomatic enter the Australian market, where it previously did not have a presence, and strengthen its foothold in the US land-based market.

Beyond the US, there are plans for the B2B social product Greentube Pro to launch in other parts of the world. Negotiations with online operators are also underway for real-money gaming in the regulated Colombian market. This will ensure the continued growth of the business while the remaining European jurisdictions re-regulate. Greentube will supply games and white label solutions in those

