

IGWB November 2004

## Investing in the Gaming Industry - Initial Results of an Important New Report

### Global survey launches dialogue between operators and the financial community

More and more investors are coming to recognize the gambling and betting industries as compelling global growth stories with a wealth of opportunities. The consulting company Media & Entertainment Consulting Network together with IGWB are preparing one of the most important reports to be published this year - *"Investing in the Gambling/Gaming Industry: Present and Future"* - incorporating the first survey of its kind gauging the investment climate worldwide and identifying sentiments that will be key to unlocking tomorrow's capital markets.

*"Investing in the Gambling/Gaming Industry"* targets both established companies looking to grow and young companies facing difficulties in accessing the capital markets. Its aim is to increase industry awareness in the financial community and identify those areas where there is potential for improving and enhancing investor relations. Operators from all sectors, both land-based and remote, will share their experiences, insights and investment needs. Leading current and potential investors will discuss their strategies, identify challenges and pinpoint the most promising areas of growth.

Survey participants have hailed from a surprisingly diverse group. They include investment banks, private equity companies, venture capitalists, casinos, bookmakers and state-owned lottery and betting operators.

Exclusive to IGWB this month, here are the preliminary results of what they have to say:

- **Improvements are needed in communication between investors and the industry.** "External" investment in the gambling and betting industries is limited. About 80 percent of the gambling and gaming companies surveyed do not draw financing (excluding loans) from private or institutional sources. Excluding publicly traded gambling companies, this figure is a significant indication to date of the industry's limited exposure to capital markets.
- **Gambling and betting still suffer an "image" problem in the financial community.** Asked if they have ever encountered reservations from investors purely because they operate in the gambling/gaming industry, 40 percent of the companies surveyed answered "yes."
- **Moral and political factors still work to divide the industry and investors.** Among investors who avoid the gambling and betting industries, the principal reasons, according to those surveyed, are "moral" and "political."
- **The industry seems to overlook the "morality issue."** Asked why potential investors might hesitate to invest in gambling and gaming, those operators surveyed more or less ignored the moral and political conflicts investors might face.
- **A knowledge "gap" is keeping gambling companies out of investors' portfolios.** All survey participants agreed that limited knowledge on the part of the financial community is a major obstacle to investment in the industry.
- **Investor relations should focus on improving the image of gambling and betting operators.** Investors surveyed place trustworthiness and a negative public image among the biggest challenges the industry faces. Gambling and betting operators, however, do not see these issues as highly relevant. Rather they see their biggest challenge to be guaranteeing a broad range of secure payment methods.
- **Traditional land-based betting operations continue to dominate investment portfolios.**
- **Companies in which investors would invest risk private savings.** Asked what companies in which they would risk their private savings, investors gave some indications of where they expect the most growth to take place. Among the sectors mentioned were land-based and online bookmakers and service/software providers.
- **Internet gambling, liberalization and global expansion will drive future growth.** Asked what will drive the future growth of the gambling and betting industries, all survey participants identified Internet gambling, increasing liberalization of the European markets and geographic expansion internationally.