

INVESTING IN THE PRIVATE SECTOR

Investments in non-publicly traded gaming and gambling companies are an attractive alternative after the recent shockwaves

In the past few weeks most publicly traded companies in the online gambling industry have experienced drastic ups and downs. Many of them lost as much as 50% in share value and then gained again, sometimes to the same extent; this is what makes investing in those stocks sometimes a game of chance itself. For long-term investors, who believe in the continued growth of the gambling industry (online as well as bricks-and-mortar) these often drastic and frantic reactions of the stock market are becoming a serious problem.

Investments in companies not traded on the stock market – Alternatives to the frantic ups and downs of online gambling shares.

One can't help wondering whether the reactions of the stock market accurately reflect the situation of the gambling industry. For example, in the heat of the moment, analysts' reports on legal developments are often not fully understood in all their complexity and can lead to wide fluctuations in share prices that are at times difficult to comprehend. However, in contrast to the rapid changes on the stock market, the actual changes in the legal regulations proceed at a much slower pace. In the US, for example, a prohibition of online gambling has been under discussion for several years. It will take several more months before it becomes clear if and to what extent the Goodlatte/Leach Bill will change the US online gambling landscape. Investors who want to be independent of the stock market's frequently changing assessments of the industry should seriously consider investing in gambling enterprises not listed on the stock market.

Realizing long-term strategies by securing financing outside the stock market

A similar picture emerges for many new firms.

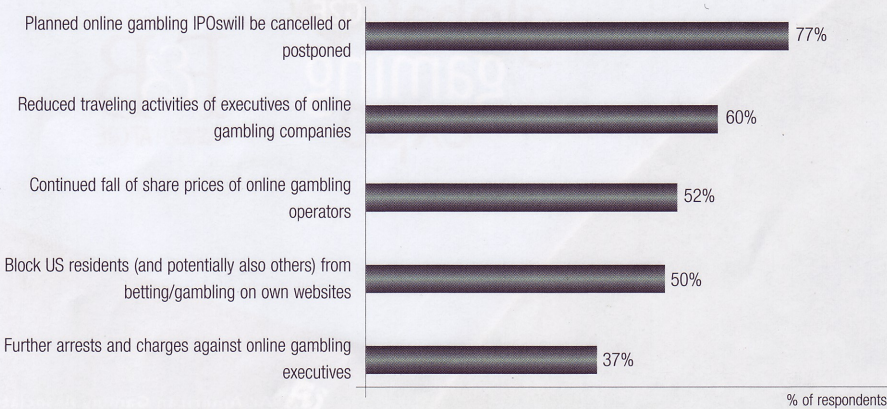


While for the past two years the growing number of IPOs has flooded the industry with new investor money, the stock market's current fluctuations are now becoming a serious problem for many firms. For example, the majority of the experts (77%) responding to MECN's most recent survey indicated that the most likely immediate effect of the current shockwaves will be that planned online gambling IPOs will be cancelled or postponed (see also exhibit).

However, even companies that have already had a successful IPO are watched closely, and

come under heavy criticism from investors and the financial media when their share value decreases by even only a few percentage points. This pressure from investors has a negative impact on necessary long-term strategies that are then all too often sacrificed for short-term measures that have an immediate positive influence on the stock value. Consequently, many companies, especially start-ups in the gambling industry, are wondering whether an IPO is really the most attractive and effective way to secure financing. ●

Question: In your opinion, what will be the immediate effects of the current threats?



Note: n=91; multiple answers possible
Source: MECN survey "Future of Online Gambling after the Shockwaves" (2005/2006) - www.future-online-gambling.mecn.net

iGB and MECN

iGamingBusiness and MECN present investments and investors not listed on the global stock exchanges. The unlisted gambling and gaming industry offers a wealth of investment opportunities. But there is not much information available about investment opportunities in the gambling industry. Therefore, iGamingBusiness and MECN joined forces to provide information on a regular basis about selected investors and investment targets in the gambling industry. Among investors are, for example, corporate as well as private equity companies. And investment targets presented include the foremost online gambling companies as well as technology and service providers.

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