

8th Nov 04



GamSure

The name that induces Trust.

Convergence of the Leisure Industries

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Presentation Outline

- Introduction to GamSure
- Leisure industry, its challenges
- Remote Gaming industry, its challenges
- Why Converge?
- Outlook?
- Suggestions for leisure companies looking to converge.



GamSure Mission

Mission: *“To bring transparency, trust and confidence to business brands in the most responsible, adaptable and confidence inducing manner”*.

Mechanics: *“GamSure achieves this by firstly providing a ‘bond’ that forms a financial safety net and “competitive edge” to ensure that business clients can concentrate on running and expanding their businesses”*.

This will provide similar protection to that of ATOL and ABTA in the travel industry in UK.



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Leisure market Challenges



Leisure industry

Many definitions. For the purpose of this presentation it would be the following as all fight for the same “*disposable income*”:

- Hotels
- Theatre/ Cinemas/ Museum
- Disco/Clubs/Pub/Restaurants
- Destinations (e.g. theme park, holiday resort/camp etc.)
- Charity functions etc.

Channels which leisure brands/operations reach their target audiences:

- Newspaper (e.g. national, regional or freely distributed)
- TV channels/programs
- Magazines (e.g. special interest, hobby, promotional, free etc.)



Leisure market challenges

Key market challenges are as follow:

- Leisure market is **cyclical** (some more so than others)
- Subject to local & international **economic situation** (e.g. war would negatively affect the business).
- **Trend/fashion/fad** -led (within most target demographics)
- **Localised, segmented and competitive**
- **FMCG rules** apply (i.e. value/cost leader & brand+budget)

How to cope & adapt? :

- **Expand** by promoting **via new media channels** (online, iTV, mobile to reach new audience & (re-)position themselves)
- **Consolidate** (for horizontal or vertical integration)
- **Experiment** with innovative **Joint Ventures** to Diversify



Leisure market trends

Successful examples of diversification:

- **Hilton** (having Ladbrokes helped to survive the hotel industry downturn)
- **Rank** (Film → offline Casino/bingo → online/iTV BlueSquare, now → high street betting shops).
- **ManUnited** (spot the ball, betting), **Torino Calcio** (Casino)

“Toe-dip” phenomenon?

- **Newspaper /magazines** web sites with outsourced lotteries & instant win games
- International portal like **MSN with affiliated Casino**
- **Specialist newspaper** - own branded Casinos (Sun, Racing post etc.)
- **Yahoo, Lycos** have their own P2P games portal (not chargeable yet, but no doubt soon)

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How about the remote gaming gambling market?



Remote e-Gaming market

The world online gambling market was at least 8.3 billion US\$ in 2003, and projected to become 12.6 billion US\$ by 2006 ¹.

Various 'Classes of jurisdictions':

- Liberal to self-regulation (inc. some probity checks, but easy to sub-license: e.g. Antigua, Costa-Rica, Curacao)
- Well regulated/present favourite (Gibraltar, Alderney etc.)
- Previously over regulated (e.g. Isle of Man)

International legal minefield:

- Prohibitions (e.g. US, HK)
- Combinations (e.g. Korea, Australia, Holland)
- Laisser faire (e.g. UK)

¹Internet gambling report, the river city group, 2003



e-Gaming market sectors

Remote gambling market is maturing, and at present mainly dominated by few major brands:

- Poker (e.g. PartyPoker, PokerStars, Prima, PokerRoom etc.)
- Casinos (e.g. 888, InterCasino,)
- Bookmakers (*Traditional*: Ladbrokes, WillHill, CoralEurobet, *NewMedia*: Sportingbet, BetonSport, BlueSquare, *Offshore*: BetandWin, BoDog etc.)
- Exchanges (e.g. Betfair, BETDAQ, Sporting Options)
- Fun Bets (e.g. Gamesys, Getminted, soon Virgin)
- Spreadbetting (e.g. Cantor index, Sporting index)
- iTV (e.g. SkyBet, Avago)
- Mobile (e.g. in UK: Million 2-1, others are positioning to launch)



Remote gambling priorities

Market is maturing, e.g. key market events:

- Migrating key brands to well regulated jurisdictions (e.g. 888.com to Gibraltar, etc.)
- Leaving ‘over-regulated’ jurisdictions (e.g. leaving Isle of Man, Brands like Littlewoods to Curacao)
- Government protectionalism/liberalisation (e.g. *DeLotto* suing Ladbrokes in Netherlands, US DoJ special ‘tactics’ against remote gaming, or UK changing the tax structure to CPT)

Further legitimise e-gaming businesses by:

- **Listing on stock exchange** (exit or raise further capital) for growth or M&A (e.g. Neteller, WillHill, UKBetting, BetOnSports,)
- Growth by targeting **new products/markets** (e.g. Ladbrokes Poker = close to 50% revenue) and with **new channels/** via **whitelabing**
- Partner with established ‘**trusted**’ brands (e.g. **Boss & Accenture**).



E-Gaming market Challenges

There are many 'local' big players, who have enough resources (financial, legal, personnel) to break into different international markets.

Key challenge, Local Brands not 'translate into trust' easily across boarder, "Joe blogg" in other countries are **Not Aware of:**

- Big brands in other nations (e.g. MGM, Kerzner from Las Vegas, breaking into UK)
- Nor Well established multi-million e-gaming brands (e.g. BetandWin, BetonSport, VIP etc.)
- Even known, there might not be enough 'trust' to encourage deposits (e.g. would you bet with 'InterCasino', would you bet with CasinoOnNet (or 888.com)??.)

***Result? Limited market innovation, nor competitive market products!
i.e. All brands essentially offer the same products &
services!***

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Convergence



Convergence, Outlook

Consequently, there is a clear case of convergence as it serves as win-win to both industries.

Specifically, for leisure industry:

➤ They can easily find **established, respectable & willing remote gaming partners**

For remote gaming industry:

➤ They can find **‘key leisure brands’** as partners to reinforce their legitimate operation & help to distribute and together monetise the leisure brands followers

There is still one challenge!

➤ *What are the customer profile and how to get them to open to wallet! (if this is a new venture!)*



Key e-gaming knowledge

There is a need for the leisure industry to understand the gaming industry:

- **Customers profiles** based on the specific products and their own client base (may help to try & measure with an affiliate)
- **Brand**: Need to be *certain* that the move would only ‘**enhance & leverage**’ the existing brand, but *not* ‘*dilute*’ it
- **Timing/RoI**: It is a ‘**long game**’
- **Business model**: it is NOT ‘rate-card’ but ‘**net-win**’ (grocer’s model)
- **Potential legal minefield**, especially offering the chosen service internationally, always safer to seek independent legal advice
- **Here to stay**: It has to be built on **trust & confidence** (usually through time & marketing dollars)



Suggestions

Key steps that leisure companies should take:

- ***Understand your core business*** (entertainment? Community?) and choose appropriate product/content (e.g. TV channels getting simple games appropriate for their target audience)
- ***How remote gaming*** gambling ***add value*** to your core & subsidiary business (just short term cash? Monetise subscriber base Or testing the water for future M&A or new operations?)
- ***Identify key partners*** (technology or ASP) to help you
- Dare to ***ask pertinent questions*** (like did your operations accepted illegal bets from certain jurisdictions?)
- For ***due diligence***, ask for corporate structure and ultimate owner (could be difficult question due to legacy issue, but better safer than sorry)



How can GamSure help? (briefly)

Bridging the '*confidence & trust*' gap

GamSure enable well run, well financed market brands to be able to target new market and reach new audiences:

GamSure offers the following:

Player Bond:

➤ Well regulated jurisdictions: Player bond that covers the aggregated liabilities of the jurisdictions or gaming operators (US\$ 10million to 100m+). Only GamSure can offer this product which is NOT available via normal insurance market.

Bond Escrow:

➤ Self regulated jurisdictions: GamSure can hold the cash equivalent (120%) of the liability in an escrow bond.

Charge-back Insurance:

➤ Charge-back could dramatically affect the cash flow for medium and small size gaming operators, GamSure can help.

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Thank YOU

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