

# European online gambling sites harmed by a trade settlement with EU

A new trade pact shuts companies like Partygaming out of the US market for good and sends them looking for new markets in Europe and Asia. The odds seem to be stacked against Europe's online betting sector.

After being shut out of the US market last year, companies such as British Partygaming and Austrian Bwin were dealt another blow on December 17 when the European Commission announced a trade settlement with the US that scuppers their chances of re-entering that lucrative market.

The deal makes permanent a ban on foreign gambling companies operating in the U.S., in exchange for concessions that will make it easier for other kinds of foreign-owned service companies to do business there. The agreement stems from a case brought against the US at the World Trade Organization by Antigua, which claimed a law banning non-US companies from offering gambling services to Americans was discriminatory.

The EC's acceptance of the settlement is likely to deepen the woes of Europe's online gaming sector. According to the London-based Remote Gambling Assn., the U.S. moratorium has already cost European operators some us\$ 4 billion in annual revenues. Worldwide, online gambling revenues are us\$ 15 billion to USD 20 billion a year.

„The US was by far the biggest market for companies. Their major bargaining chip of legal action has been taken away,“ says Ed Barton, an analyst at London research company Screen Digest.

Partygaming's stock slumped 4.1% on the news, though they

gained back almost 0.9% on December 18. Bwin shares fell 2.1% on December 17 and ticked slightly upward the next day. In all, shares in the two companies have tumbled 75% since the moratorium was announced last year.

Since being shut out of the U.S., some European online gambling groups have expanded operations in Europe and Asia. London-listed Partygaming, for instance, has signed licensing agreements with Paramount Pictures (VIA) to offer online games based on the movie studio's films. It has also snapped up rivals, such as Empire Online and Intercontinental Online Gaming.

Such efforts helped raise Partygaming's third quarter revenues 24% year-on-year to USD 115.7 million, while the number of daily gamblers using its site rose from 50 million to 72.1 million in the same period.

European operators could still have plenty of room to grow outside the US. „Europe and Asia have the possibility to be bigger than the US ever was,“ says Andrew Lee, a leisure analyst at Dresdner Kleinwort in London. „The Asian market on its own could be worth billions of dollars.“ But for now, the likes of Partygaming and Bwin are stuck playing a weak hand.