

# Gaming firm bets on a sale

The leisure group Inspired Gaming, which operates fruit machines and betting terminals, has put itself up for sale after receiving a number of approaches.

The business, headed by joint chief executives Luke Alvarez and Norman Crowley, has hired Global Leisure Partners (GLP), a specialist corporate-finance firm, to advise on the takeover interest and to gauge the seriousness of the initial offers.

It is expected that GLP will carry out a full auction to maximise the amount of money that can be made by selling the business. Shares in Inspired closed at 67p on Friday, valuing the company at GBP 48.8m.

Some observers have suggested that the board would want at least 160p a share, while others believe the board would hold out for much more. Either way, any prospective bidder will want to study the company's books carefully.

This is not the first time that Inspired has been at the centre of takeover speculation. Last September, the company admitted it was in takeover talks with FL Group, the Icelandic institution that is a large shareholder in Inspired.

Those discussions centred on an offer worth 385p a share but the talks ended in December when FL pulled out, blaming difficult market conditions.

It is not clear who is behind the latest bid interest. The company received the approaches after announcing in March that it would review the future of the division that distributes amusement machines to pubs.

This has been the worst performing part of the company, because earnings from amusement machines in pubs have been severely affected by the smoking ban that came in last year.

Takings have slumped.

Last week, Inspired concluded the review, and said that it would withdraw from the pubs sector, a move that will cost up to GBP 20m. It will try to sell the operation. If no buyer is forthcoming, it will be closed down.

The company is also looking to raise GBP 40m to pay for the exit from pubs and to fund the expansion of its other operations, which are focused on betting shops, casinos and overseas venues. Its key clients include Ladbrokes, William Hill and Paddy Power, the bookmakers; Gala and Stanley Leisure, the casino operators; and Bourne Leisure, the holiday company that owns Butlins.

Inspired is in advanced talks with leading investors to get them to support the issuing of 50m convertible preference shares to raise the £40m. All shareholders will be eligible to subscribe to the new stock, and the fundraising is on course to be completed by the end of next month.

The leisure group is a market leader in so-called "server-based gaming", which allows it to run many gaming terminals from one central computer.

The technology has also enabled Inspired to branch out into other areas, such as vending machines. It is running a trial with Coca-Cola, the soft-drinks maker, for a new generation of vending machines that could prove highly lucrative.

Inspired was originally part of the old Bass leisure empire, distributing and servicing fruit machines to Bass's pubs. The operation was sold in a management buyout backed by Duke Street Capital in 1998, and later sold on to the private-equity arm of Henderson, the fund-management group. It floated on London's Alternative Investment Market in June 2006.