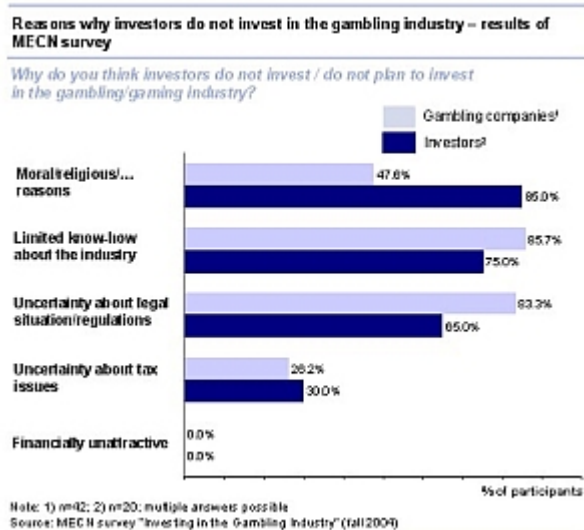


Ethical issues as well as limited know-how about the gambling industry keep investors away ❌

Article by Martin Oelbermann

A study completed by the consulting firm MECN takes a close look at what gambling/gaming companies could do to improve investor relations.



– As many as 85% of the investors surveyed pointed to ethical issues in explaining why the financial community hesitates to invest in the gambling industry.

– Over 40% of the gambling companies already experienced reservations of investors purely for operating in the gambling industry.

– Investor relations of William Hill, IGT, and Fluxx are ranked top among leading companies in the gambling/gaming industry.

Currently many financial investors still are reluctant to invest in the gambling and gaming industry. According to investors the main reasons why investors keep out of the gambling industry, are ethical reasons and limited know-how about the industry. As many as 85% and 75%, respectively, of

the investors surveyed pointed to these reasons in explaining why the financial community hesitates to invest in the gambling industry.

But many of these problems seem to be of the industry's own making, however, as many gambling companies do not even see moral/ethical issues as highly relevant for investors (see exhibit). In addition, many gambling companies only offer limited company and industry information to investors, information that could dispel their skepticism. Only few company websites and annual reports offer information about the industry itself. In our view, such information is a must if investors new to the gambling industry are to be attracted.

But there are also exceptions; for example, investor relations of William Hill, IGT, and Fluxx are ranked top among leading companies in the gambling/gaming industry as an analysis in the report shows. Moreover, some associations, such as the American Gaming Association, have been exemplary in providing information and educating investors about the industry.

But currently investments in the gambling industry are very satisfying for investors: close to 60% of the investors surveyed said that the performance of their investment in the gambling industry was above expectations. Additionally the MECN Gambling Industry Index, which tracks a representative group of 47 gambling companies, increased by ca. 40% in the past 12 months. With this performance the Gambling Index outperformed most indices, including the Dow Jones, MSCI, FTSE, and many other industry-specific indices. One of the most promising regional markets seems to be Europe; as many as 7 out of the top 10 performers are European companies.

The results are based on a survey MECN conducted in the past few months. Over 100 investors and gambling companies provided insights into the current status of gambling investments, opportunities and challenges, and future investments.