

For state gambling operators profits from investments outside their core business become of increasing relevance

Article by Martin Oelbermann

New report takes a detailed look at the future profit drivers of state operators in times of tougher markets

- Returns for some state-run lotteries from other than their core lottery and pari-mutuel business can account for as much as 40% of some lotteries' total profits.
- 61% of state-run operators consider an expansion beyond their core business a legitimate strategy.
- 85% of the state operators surveyed expect that the number of privatized state-licensed lotteries will increase in the next 3-5 years.

London: A study completed by the consulting firm MECN takes a detailed look at the investments in the gambling industry and analyzes in particular the opportunities for state operators. Since the returns from other investments and business activities (other than the core lottery and pari-mutuel business) are usually not included in calculations of gambling duties/taxes or similar levies, returns from such other investments can account for as much as 40% of some lotteries' total profits. Accordingly, more and more state operators realize the attractiveness of alternative investments in new ventures outside their core business.

Major targeted investments and activities of lotteries

according to a survey conducted among state gambling operators will be: offering lottery services (products, consulting, ...) to other lotteries or legal gambling offers and investments in technology/service providers.

Examples for successful activities outside the traditional business are manifold and the trend seems to continue as over 54% of the surveyed operators want to increase their alternative investments in the future. Current examples are: Norsk Tipping has investments in several other companies, German WestLotto earned about USD 10 million in 2003 from dividends of its alternative investments, or Loto-Québec's subsidiary Ingenio provides products and services to many other lotteries.

A development that will drive this activity is the ongoing privatization. More and more state-licensed operators are being privatized – the Turkish and Greek operators started the trend; now the UK Tote announced privatization for the beginning of 2005. As Martin Oelbermann, author of the study, explains “85% of the state operators surveyed expect that the number of privatized state-licensed lotteries will increase in the next 3-5 years”.

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

About MECN:

MECN is a network of experts on issues concerning the media and entertainment industry. Together they provide in-depth knowledge, analysis, and advice to global clients.