

News release

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Economic downturn continues to bring challenges to gaming sector

But there will be winners once uncertainty subsides – Ernst & Young

SINGAPORE, 25 SEPTEMBER 2009 – The worldwide credit crunch, a plunge in revenues and a fall in share prices are causing severe stress for many gaming companies, according to Ernst & Young’s *Reviewing the market: the 2009 global gaming bulletin*.

The annual report, which examines trends in the gaming industry around the world, also found that some forms of gambling have weathered the economic downturn better than others with many operators offering innovative, high quality products to customers.

Thomas Roche, Global Gaming Leader for Ernst & Young, said, “A reduction in consumer confidence and disposable income has resulted in many global markets seeing a decrease in gaming revenues. Additionally, the tightening of the credit markets caused the deferral of major projects. Not surprisingly, operators around the world are studying very closely every aspect of their business models to ensure they are providing customers the services they demand.”

Online presence experiencing growth

The study revealed that online gaming has yet to experience a downturn with many operators in the bingo and lottery markets expanding their online presence.

Roche explained, “Online games provide a form of escapism for people during the difficult times and the potential audience is huge - anyone who has an internet connection. The past year has already seen accelerated growth in this area as online

games become a fun, cost effective alternative to other leisure activities during an economic downturn.”

Winners from the recession

In addition, some casinos have become more recession resistant than others. For instance, national operators around the world were affected less than destination-based facilities as consumers tried to manage their overall entertainment costs by limiting air travel to gaming resorts.

Some operators have also introduced new forms of gambling that have yet to face a recession. In the UK for instance, the growth of Fixed-Odds Betting Terminals (FOBTs) continues to be a major area of focus for operators, particularly bookmakers. These ‘touch-screen’ terminals, similar in look to quiz machines familiar in pubs and clubs, offer a number of games, roulette being the most popular. Many bookmakers claim that revenue generated from FOBTs now exceeds traditional over-the-counter gambling.

Smoking bans impacting the sector

The bingo industry continues to be significantly impacted by smoking bans which have been implemented across many markets. This is a particular challenge since operators earn the most lucrative returns from gaming machines in the intervals between games, when most smokers go outside for a break.

Survival of the fittest

Given that many operators in the industry have already taken steps to reduce costs to align themselves to the new regulatory environment, they could be well placed to emerge stronger as the upturn comes, according to the study.

Roche concluded, “The gambling industry has long been considered recession-proof, but this is clearly not the case. However, there are rewards for those that see this recession through, particularly in light of the heightening deregulation of the betting and gaming markets worldwide and the prospect of further credit once the economy recovers.”

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About the report

Reviewing the market: The 2009 global gaming bulletin is a 96-page report, which includes a review of the global gaming sector's major highlights in 2008, as well as detailed analysis of gaming in Australia, Czech Republic, France, Germany, Italy, Macau, Spain, UK, US and the US Native American (tribal) gaming sector. The full report is available at www.ey.com/realestate.

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