

# Mergers & Acquisitions in the Poker Space

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**Susan Breen**

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**Mishcon de Reya** Solicitors

# 2005 – An Evolutionary Year

UP                      IN                      FOLD                      DEFEND  
DOWN                  OUT                  BUILD                  ACQUIRE                  ATTACK



Ongame

PartyGaming

888

PokerStars

BETonSPORTS

Empire

Ultimatebet

Sportingbet

# Prospects Going Forward / A Fertile Marketplace

## Target Readiness

- Revenue Traction
- Management Availability
- Business Model Visibility
- Access to Capital
- Strategic Partnerships
- Critical Mass
- Product Development
- Fragmentation

## Target Momentum

## Market Receptivity

- Market Appetite
- Competing Offerings
- Cash Rich Acquirers
- Globalisation
- Dominance in the Category
- Entertainment / Leisure Demographics
- Margin Squeeze
- Valuation
- Regulatory Environment

## Market Sector Momentum

**Optimal  
Time**

# The Fundamentals

## Stack the Deck with Them

- Earnings Enhancing Business**
- Good Strategic Fit**
- Cross Selling**
- Sound Management**
- Robust Systems**
- Tidy Contractual Arrangements**
- Regulated Business**
- A Differentiator**

DO YOU TICK ALL THE BOXES?

# Seller's Perspective

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## ■ **Contractual Arrangements**

- **Key contracts**
- **Change of control**
- **Ownership of assets**

## ■ **Operational Systems and Internal Controls**

- **Verifying chargebacks**
- **Customer complaints**
- **Customer acquisition data**
- **Integration**

GET A HEALTH CHECK

# Seller's Perspective – continued

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## ■ **Clear Regulatory Position**

- **Seller's licensing position**
- **Buyer's licensing position**
- **Regulatory hoops**
- **Changing environment**
- **Advertising**
- **Jurisdictional issues**

## ■ **Differentiator**

- **The innovators**
- **Software systems**
- **Online marketing solutions**
- **SEO strategies**

ENHANCE THE OFFERING

# Buyer's Perspective

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- **Organic versus Acquisition?**
- **A Mirror Image of the Seller's?**
- **Pricing / Valuation**
- **Unknown Liabilities**
- **Regulatory Headaches**
- **Due Diligence**
- **Financial Transparency**
- **Added Value**

# Tax and Structure

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## **Sensible Forward Planning – and Some Icing on the Cake? Tax Optimisation Strategies**

### **Seller Issues:**

- **Shareholders**
- **Target**
- **Disclosure for the publicity shy**

### **Buyer Issues:**

- **Marginal rate**
- **Flexibility of redomiciling**

# The Currency of Payment

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- **Public Company Acquirers**

Use of:



- **Seller's Aspirations**
- **Valuation Issues**
- **Alignment of Interests**

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