

16 October 2008

Leisure & Gaming

Year End	Revenue (€m)	PBT* (€m)	EPS* (c)	DPS (c)	PE (x)	Yield (%)
12/06**	23.3	(4.2)	(7.1)	0.0	N/A	N/A
12/07	24.7	(1.8)	(2.4)	0.0	N/A	N/A
12/08e	23.0	3.0	2.5	0.0	2.1	N/A
12/09e	26.0	3.5	2.8	0.0	1.8	N/A

Note: *PBT and EPS are normalised, excluding amortisation and exceptional items. **2006 figures are proforma for continuing operations. Exchange rate used: £1=€1.28.

Investment summary: Recovery continues

Leisure & Gaming's (LNG) Q3 trading update confirmed that its recovery continued during the seasonally quietest quarter, with gross profit up by 80% to €0.9m. Good trading in the seasonally strong Q4 is the key to our unchanged full year PBT forecast. More importantly, the group is now in a much better position to build on a broader range of products and markets in 2009. The new Italian CEO, Fabrizio Motterlini, is a welcome addition to the management team.

As expected, the Q3 net win was down (€3.2m versus €4.6m in 2007) due to the restructuring of the partner network, but action on costs (particularly the commission structure) produced a significant improvement in gross margin and breakeven at the operating level. LNG is now beginning to re-grow the partner network with much tighter controls in place, although progress opening the new 'Bersani corners' remains slow due to administrative delays (36 of 59 are now open). Play for fun poker has been successfully launched, slot trials are continuing and new geographies (Cyprus and Greece) are progressing well.

The new CEO of Betshopitalia SRL, Fabrizio Motterlini is a highly experienced gaming operator whose past posts include President of SISAL spa, one of the largest gaming operators in Italy, from 1985 to 1999. His contacts and experience should be invaluable in opening doors to new opportunities and helping Betshop navigate the bureaucratic maze of the Italian regulatory system.

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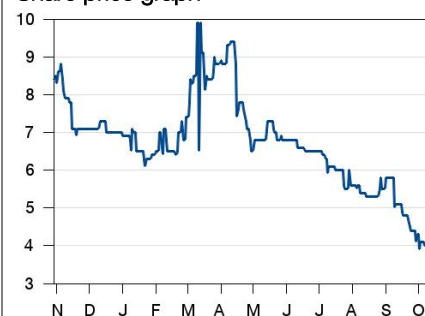
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Price 4p
Market Cap £4m

Share price graph



Share details

Code LNG
Listing AIM
Sector Travel & Leisure
Shares in issue 94.1m

Price

52 week High 10.50p Low 3.88p

Business

LNG's main business is Betshop Italia, an online sports betting business with a network of 519 branded franchise shops and retail outlets mainly in Italy, and Betshop.com, a pan-European online sports book and casino operating in eight languages. LNG sold its US-facing business in October 2006 and does not accept US customers.

Analyst

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