

Online gaming in crisis over U.S. ban

London (Reuters) – Online gaming firms faced their biggest-ever crisis on Monday after U.S. Congress passed legislation to end Internet gaming there, threatening jobs and wiping 3.5 billion pounds off share prices.

Britain's PartyGaming, operator of leading Internet poker site PartyPoker.com, and rivals Sportingbet and 888 said they would likely pull out of the United States, their biggest source of revenue, and warned on future profits.

„This development is a significant setback for our company, our shareholders, our players and our industry,“ PartyGaming Chief Executive Mitch Garber said.

The House of Representatives and Senate unexpectedly approved a bill early on Saturday that would make it illegal for banks and credit-card companies to make payments to online gambling sites.

The measure was sent to U.S. President George W. Bush to sign into law, which most analysts see as a certainty.

„We believe that this will have a very material impact on the long-term prospects of online gambling, and in particular poker,“ said analyst Julian Easthope at UBS. „This will lead to a rapid decline in the use of online poker sites.“

PartyGaming generates about 78 percent of its revenue from the United States, while Sportingbet gets about 62 percent there.

Shares in PartyGaming, which rakes in nearly \$ 4 million (2 million pounds) a day from its 19 million customers, fell 58 percent by 0905 GMT (10:05 a.m. British time).

Sportingbet, which owns sportsbook.com and ParadisePoker.com,

lost 58 percent, 888 was down 35 percent and Austria's bwin.com fell 16 percent.

Crackdown

Online gaming exploded in 2005 with a string of high-profile company flotations in London, which has become the industry's corporate centre.

The bulk of revenue has always come from the United States, but operators were located in offshore jurisdictions like Costa Rica and Antigua due to fears of prosecution in the United States, where gaming and betting laws had been ambiguous.

Shares in Sportingbet and BETonSPORTS have been hammered recently after senior executives were arrested on charges of illegal gambling in individual U.S. states.

Meanwhile, big American gaming corporations like Las Vegas-based Harrah's Entertainment Inc. were forced to sit on the sidelines as gaming money streamed out of the country.

PartyGaming said in a statement, „If the President signs the act into law, the company will suspend all real money gaming business with U.S. residents.“

„Any such suspension would also result in the group's financial performance falling significantly short of consensus forecasts for 2006 and 2007,“ it added.

Sportingbet said a ban would hit trading, and said it had scrapped a planned merger with World Gaming as a result.

888 said the move would hit its results, as did gaming software provider Playtech, whose shares fell 51 percent.

But analyst Paul Leyland at Arbutnot Securities said Playtech was relatively well positioned. „The only company for which you could categorically say that redeployment is easy is

Playtech," he said. „But for the others it's much more difficult.“

Any ban would also hit payment processors like Neteller and Optimal Group's FireOne subsidiary.

Neteller said the legislation would have a „material adverse effect“ on its U.S.-facing business, and its shares also more than halved in value.